



深圳高速公路集团股份有限公司
SHENZHEN EXPRESSWAY CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600548 (SSE) 00548 (HKEx))



2022
Annual Report

Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report should consider the aforesaid and other factors carefully, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.

The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

Member of Shenzhen International Holdings Limited



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Definition and Cautionary Statement

I. Definition

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, Period	For the twelve months ended 31 December 2022.
Reporting Date	The date on which this Annual Report 2022 of the Company is approved by the Board, i.e. 24 March 2023.
YOY	Year-on-year change rate as compared to the same period of 2021.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Corporation Limited.
The Group, Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
State Council	State Council of the PRC (中華人民共和國國務院).

NDRC	National Development and Reform Commission (中華人民共和國國家發展和改革委員會).
MOT	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部).
National Energy Administration	National Energy Administration of the People's Republic of China (中華人民共和國國家能源局).
Ministry of Finance	Ministry of Finance of the People's Republic of China (中華人民共和國財政部).
Ministry of Industry and Information Technology	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部).
Ministry of Ecology and Environment	Ministry of Ecology and Environment of the PRC (中華人民共和國生態環境部).
Shenzhen SASAC	State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會).
Shenzhen Transport Bureau	Transport Bureau of Shenzhen Municipality (深圳市交通運輸局), formerly known as Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會).
SIHC	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司).
Shenzhen International	Shenzhen International Holdings Limited (深圳國際控股有限公司).
XTC Company	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), formerly known as Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司).
SGH Company	Shenzhen Shen Guang Hui Highway Development Company Limited (深圳市深廣惠公路開發有限公司), formerly known as Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司).
CMET	China Merchants Expressway Network & Technology Holdings Company Limited (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Hua Jian Highway Investment Company Limited (招商局華建公路投資有限公司).
GDRB Company	Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司).

Definition and Cautionary Statement

Shenzhen International (Shenzhen)	Shenzhen International Holdings (SZ) Limited (深國際控股(深圳)有限公司), formerly known as Yiwan Industry Development (Shenzhen) Company Limited (怡萬實業發展(深圳)有限公司).
Fund Company	Shenzhen Expressway Private Equity Industrial Investment Fund Management Company Limited (深圳高速私募產業投資基金管理有限公司).
Vanke Group	China Vanke Company Limited (萬科企業股份有限公司) and its consolidated subsidiaries.
Bank of Guizhou	Bank of Guizhou Company Limited (貴州銀行股份有限公司).
Longda Company	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司).
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司).
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司).
Yichang Company	Hunan Yichang Expressway Development Company Limited (湖南益常高速公路開發有限公司).
Magerk Company	Hubei Magerk Expressway Management Company Limited (湖北馬鄂高速公路經營有限公司).
Qinglian Company	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司).
Shenchang Company	Changsha Shenchang High Speed Trunk Road Company Limited (長沙市深長快速幹道有限公司).
Qinglong Company	Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司).
Huayu Company	Shenzhen Huayu Expressway Investment Company Limited (深圳市華昱高速公路投資有限公司).
Yangmao Company	Guangdong Yangmao Expressway Company Limited (廣東陽茂高速公路有限公司).

GZ W2 Company	Guangzhou Western Second Ring Expressway Company Limited (廣州西二環高速公路有限公司).
Nanjing Third Bridge Company	Nanjing Yangtze River Third Bridge Company Limited (南京長江第三大橋有限責任公司).
Guishen Company	Guizhou Guishen Investment Development Company Limited (貴州貴深投資發展有限公司).
Property Management Company	Shenzhen Expressway Property Management Company Limited (深圳高速物業管理有限公司).
Yunji Intelligent (Former Consulting Company)	Yunji Intelligent Engineering Holding Company Limited (雲基智慧工程股份有限公司), formerly known as Shenzhen Expressway Engineering Consulting Company Limited (深圳高速工程顧問有限公司).
Operation Development Company	Shenzhen Expressway Operation Development Company Limited (深圳高速運營發展有限公司).
Construction Company	Shenzhen Expressway Construction Development Company Limited (深圳高速建設發展有限公司).
Architecture Technology Company	Shenzhen Expressway Architecture Technology Development Company Limited (深圳高速建築科技發展有限公司).
Infrastructure and Environmental Protection Company	Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited (深圳深高速基建環保開發有限公司).
Investment Company	Shenzhen Expressway Investment Company Limited (深圳高速投資有限公司).
Environmental Company	Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司).
Guangming Environment	Shenzhen Guangming Environment Technology Company Limited (深圳光明深高速環境科技有限公司).
Engineering Development Company	Shenzhen Expressway Engineering Development Company Limited (深圳高速工程發展有限公司), formerly known as Guangdong Boyuan Construction Engineering Company Limited (廣東博元建設工程有限公司).
Asphalt Technology Company	Shenzhen Expressway Asphalt Technology Development Company Limited (深圳高速瀝青科技發展有限公司).

Definition and Cautionary Statement

Business Company	Shenzhen Expressway Business Company Limited (深圳深高速商務有限公司).
Digital Technology Company	Shenzhen Expressway Digital Technology Company Limited (深圳高速公路集團數字科技有限公司).
JEL	Jade Emperor Limited (捷德安派有限公司).
Maxprofit	Maxprofit Gain Limited.
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司).
Fameluxe Investment	Fameluxe Investment Limited (豐立投資有限公司).
Meiguan Company	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll-Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (referred to as Outer Ring Expressway), among which, the 35.67km from Shajing to Guanlan and the 15.06km from Longcheng to Pingdi, totaling approximately 51km (referred to as Outer Ring Phase I), opened to traffic on 29 December 2020. The 9.35km from the end of Longgang Section of Outer Ring Phase I to Kengzi via Pingdi etc. (referred to as Outer Ring Phase II) opened to traffic on 1 January 2022. The 16.8km from Kengzi to Dapeng (referred to as Outer Ring Phase III) is carrying out preliminary work such as survey and design.

Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (referred to as Coastal Expressway (Shenzhen Section)) of the coastal expressway from Guangzhou to Shenzhen (referred to as Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II .
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. Starting from 0:00 on 7 February 2016, a total of 23.8km of the Shenzhen section of Longda (i.e. the section from Longhua Shenzhen to Nanguang expressway ramp access) has been operated by card access with the toll exempted, and had been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019. The Toll Section of Longda Expressway refers to the section about 4.426km north of Songgang to Guanfo expressway, which still retains tolling.
Qinglian Expressway	The Expressway from Qingyuan to Lianzhou.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi with an original toll mileage of 70.299 kilometres, has been handed over as requested by the department in charge of transportation owing to the expiry of the concession period on 10 December 2022 at 24:00.
Changsha Ring Road	Changsha Ring Expressway (North-Western Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Yichang Project	The expressway from Yiyang to Changde in Hunan (referred to as Yichang Expressway) and Changde connection line.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (referred to as the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
SZCDTI	Shenzhen SEZ Construction and Development of Transportation and Investment Co., Ltd. (深圳市特區建發交通投資有限公司), a limited liability company incorporated in the PRC.

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Jihe Expressway R&E Project	The reconstruction and expansion PPP project for the section from He'ao to Shenzhen International Airport of the Shenyang to Haikou Expressway.
SIICH	Shenzhen Investment International Capital Holdings Company Limited (深圳投控國際資本控股有限公司), a wholly-owned subsidiary of SIHC.
SIICHIC	Shenzhen Investment International Capital Holdings Infrastructure Company Limited (深圳投控國際資本控股基建有限公司).
Bay Area Development	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a red chip company listed on the HKEx, stock code: 00737.
Shenwan Infrastructure	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited (深灣基建深圳有限公司).
Xintang JV	Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司).
Guangshenzhu Company	Guangshenzhu Expressway Co., Ltd, is mainly engaged in the investment, construction, operation and management of Guangzhou-Shenzhen Expressway. Bay Area Development is indirectly entitled a 45% profit-sharing interest in Guangshenzhu Company.
GS Expressway	The Guangzhou-Shenzhen section of Beijing-Hong Kong & Macao Expressway (G4), starting from Huangcun interchange in Tianhe District, Guangzhou in the north, ends at Huanggang Checkpoint in Futian District, Shenzhen in the south, with a total length of approximately 122.8km.
GZ West Expressway	Guangzhou-Zhuhai West Expressway, comprising Phase I, Phase II and Phase III, starts from Hainan interchange of Liwan District, Guangzhou in the north and to Yuehuan Interchange of Tanzhou Town, Zhongshan in the south, with a total length of approximately 98km.
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities is undertaken by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen.
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group.

Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou under BT model and the primary development project of relevant land undertaken by the Group.
CCCC Second Highway	CCCC Second Highway Engineering Co., Ltd. (中交第二公路工程局有限公司).
Longli River Bridge Project (Former Duohua Bridge Project)	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company under BT model. The major work of the project is Longli River Bridge.
Guilong Holdings	Guizhou Guilong Holdings (Group) Company Limited (貴州貴龍實業(集團)有限公司).
Resettlement Project	The entrusted construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising Resettlement Phase I and Resettlement Phase II .
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou is undertaken by the Group with BT model.
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited (貴州深高速置地有限公司).
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited (貴州恒通利置業有限公司).
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,038 mu, including 2,770 mu for Guilong Project and 269 mu for the Duohua Bridge Project.
Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Meilin Checkpoint Renewal Project	The Urban Renewal Project of Meilin Checkpoint of Minzhi Office in Longhua District, the entity which carried out the project is United Land Company and the area of the land is approximately 96,000 square meters.
Shenzhen Water Planning	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院股份有限公司), a company listed on the SZSE, stock code: 301038.

Definition and Cautionary Statement

Derun Environment	Chongqing Derun Environment Company Limited (重慶德潤環境有限公司).
Water Asset	Chongqing Water Asset Management Company Limited (重慶市水務資產經營有限公司).
Chongqing Water	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company listed on the SZSE, stock code: 601158.
Sanfeng Environment	Chongqing San Feng Environmental Industrial Group Company Limited (重慶三峰環境集團股份有限公司), a company listed on the SSE, stock code: 601827.
Nanjing Wind Power	Nanjing Wind Power Technology Company Limited (南京風電科技有限公司).
Baotou Nanfeng	Baotou Nanfeng Wind Power Technology Company Limited (包頭市南風風電科技有限公司).
Damao Ningyuan	Damao Ningyuan Wind Power Company Limited (達茂旗寧源風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningxiang	Damao Ningxiang Wind Power Company Limited (達茂旗寧翔風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningfeng	Damao Ningfeng Wind Power Company Limited (達茂旗寧風風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Nanchuan	Damao Nanchuan Wind Power Company Limited (達茂旗南傳風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Lingxiang Company	Baotou Lingxiang New Energy Company Limited (包頭市陵翔新能源有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
New Energy Company	Shenzhen Expressway New Energy Holdings Company Limited (深圳高速新能源控股有限公司).
Guangdong New Energy	Shenzhen Expressway (Guangdong) New Energy Investment Company Limited (深高速(廣東)新能源投資有限公司).
Huai'an Zhongheng	Huai'an Zhongheng New Energy Company Limited (淮安中恒新能源有限公司).

SPIC Fujian Company	State Power Investment Corporation Fujian Electric Power Company Limited (國家電投集團福建電力有限公司).
Nanjing Avis	Nanjing Avis Transmission Technology Company Limited (南京安維士傳動技術股份公司).
Fenghe Energy	Shenzhen Fenghe Energy Investment Limited (深圳峰和能源投資有限公司).
Yongcheng Zhuneng	The 32MW wind power project in Yongcheng City, Shangqiu City, Henan Province.
Zhongwei Gantang	The 49.5MW wind power project in Gantang, Zhongwei City, Ningxia Province.
Xinjiang Mulei	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base, including Qianzhi, Qianhui and QianXin projects.
Qianzhi	Xinjiang Mulei County Qianzhi New Energy Development Company Limited (新疆木壘縣乾智能源開發有限公司).
Qianhui	Xinjiang Mulei County Qianhui New Energy Development Company Limited (新疆木壘縣乾慧能源開發有限公司).
Qianxin	Xinjiang Mulei County Qianxin New Energy Development Company Limited (新疆木壘縣乾新能源開發有限公司).
Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP Project, invested in and constructed by the Company under the BOT model.
Bioland	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd (深高藍德環保科技集團股份有限公司).
Lisai Environmental	Shenzhen Lisai Environmental Technology Limited (深圳市利賽環保科技有限公司).
Shaoyang Project	The concession project of kitchen waste collection and disposal in Shaoyang, Hunan Province.
Ya'an Project	The concession project of harmless and resource recovery treatment in Ya'an, Sichuan Province.

Definition and Cautionary Statement

Unitoll Services	Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司).
United Land	Shenzhen International United Land Company Limited (深圳市深國際聯合置地有限公司).
Gaoleyi	Shenzhen Expressway Gaoleyi Health and Elderly Care Services Limited (深圳高速高樂亦健康養老有限公司).
Fengrunjiu	Shenzhen Guangming Fengrunjiu Health Services Limited (深圳光明鳳潤玖健康服務有限公司)
One Apartment	Shenzhen Expressway One Apartment Management Company Limited (深圳市深高速壹家公寓管理有限公司).
Shenshan Qiantai	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Company Limited (深圳深汕特別合作區乾泰技術有限公司).
Logistics Financial Company	China Logistics Financial Services Limited (中國物流金融服務有限公司).
SZI (HK)	Shenzhen International Limited (深國際有限公司).
SZI Logistics	Shenzhen International Logistics Development Company Limited (深圳市深國際物流發展有限公司).
Financial Leasing Company	Shenzhen Expressway Financial Leasing Company Limited (深圳市深高速融資租賃有限公司), formerly known as Shenzhen International Financial Leasing Company Limited (深圳市深國際融資租賃有限公司).
PPP (model)	Public-Private-Partnership model, refers to a partnership on the basis of the concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. The PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build infrastructure, manage and operate the facility and its corresponding products and services.

EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	Shenzhen Transport Bureau and the Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in a one-off manner in March of the following year.
RMB/yuan	Renminbi yuan, the lawful currency of PRC

Note :

1. For the principal business of the investee companies of the Company, please refer to the Group Structure in "Introduction of the Company" of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

II. Cautionary Statement on Risk

Detailed analysis and description of the future operation and development of the Group were set out in the "Management Discussion and Analysis" of this annual report. Investors' inspection and attention are reminded.

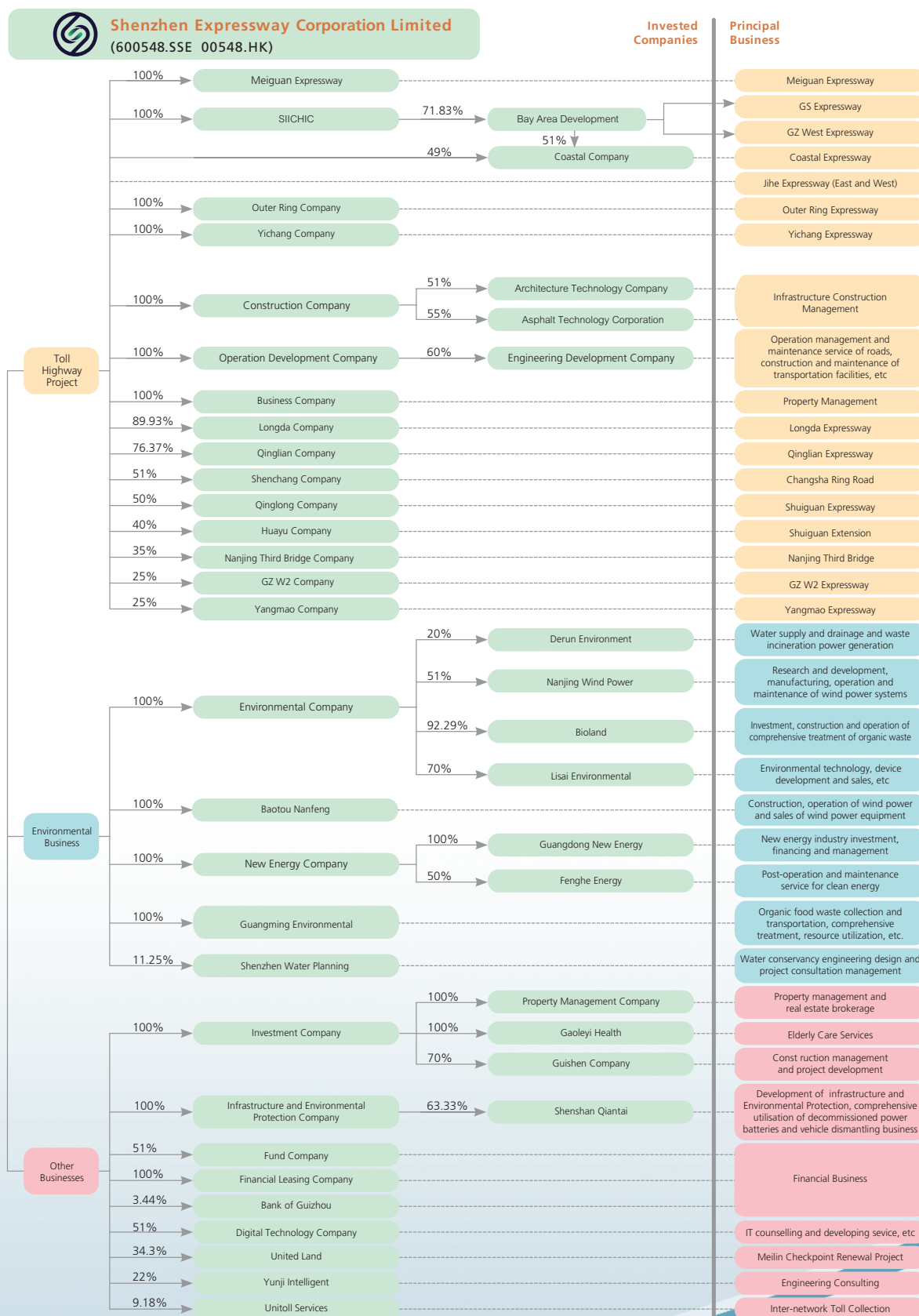
Introduction of the Company

Incorporated in Shenzhen on 30 December 1996, the Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as the general-environmental protection business. At present, the general-environmental protection business includes recovery and solid waste management and clean energy business. In addition, the Company provides outstanding construction management and highways operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on its core business, the Company has launched in the related businesses such as project development and management, road operation and maintenance, intelligent traffic system, construction consultation, urban complex and industrial financial services.

As of the date of this Report, the Company operated and invested in a total of 16 toll highway projects. The total mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 643km, of which 5.7km remains under construction. The Company has also actively participated in various regional urban infrastructure development projects while investing in more than 18 projects in the field of environmental protection, clean energy and finance, and set up multiple platform companies: the Investment Company, the Construction Development Company, the Operation Development Company, the Environmental Company, the Urban Infrastructure Company and the New Energy Company, etc.

A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company, respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, is currently holding approximately 30.03% of the Company's shares as the largest shareholder of the Company. Shenzhen International has become the indirect controlling shareholder of the Company, indirectly holding more than 50% of the Company's shares since December 2008.

As at the Reporting Date, the Group's investee companies (including abbreviations of the investee companies) and equity structure are as follows:



Note: This structure chart only includes the first level and second level subsidiaries of the Group, and the third level and below subsidiaries are not listed.

Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2022	2021		Change as compared to last year (%)	2020	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Revenue	9,372,582,546.59	10,889,580,617.88	10,871,924,008.52	-13.93	8,029,281,729.78	8,026,737,099.99
Net profit attributable to owners of the Company	2,014,112,457.01	2,613,119,318.24	2,606,254,756.43	-22.92	1,770,553,295.38	2,054,523,306.30
Net profit attributable to owners of the Company – excluding non-recurring items	1,225,846,825.30	2,330,720,351.84	2,335,503,841.79	-47.40	1,952,468,667.78	1,957,015,513.64
Net cash flows from operating activities	3,369,490,111.19	3,757,315,986.90	3,941,530,767.73	-10.32	1,058,661,172.92	1,100,633,933.07

Item (Unit: RMB)	As at 31 Dec 2022	As at 31 Dec 2021		Change as compared to last year (%)	As at 31 Dec 2020	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Owners' equity attributable to owners of the Company	21,346,287,718.08	25,560,589,952.65	24,638,965,669.92	-16.49	24,099,625,060.49	23,042,941,782.92
Total assets	69,201,468,263.76	72,304,935,166.59	60,613,494,756.12	-4.29	67,073,402,000.66	55,144,962,042.63

Item	2022	2021		Change as compared to last year (%)	2020	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Earnings per share – basic (RMB/share)	0.838	1.113	1.110	-24.71	0.805	0.936
Earnings per share – diluted (RMB/share)	0.838	1.113	1.110	-24.71	0.805	0.936
Earnings per share excluding non-recurring items – basic (RMB/share)	0.477	0.983	0.985	-51.48	0.889	0.891
Return on equity – weighted average (%)	9.93	11.53	12.24	decrease 1.60 pct.pt	9.35	10.83
Return on equity excluding non-recurring items – weighted average (%)	5.65	10.26	10.87	decrease 4.61 pct.pt	10.27	10.34

Description of Principal Accounting Data and Financial Indicators of the Company for the first three years at the end of the Reporting Period:

1. SIICHIC which holding 71.83% of the equity of Bay Area Development and consolidating its financial statements, was consolidated into the Group as a jointly controlled entity in January 2022. The Company adjusted the data of consolidated financial statements before 2022 retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises.
2. In 2020, the company issued RMB4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

II. Major quarterly Financial Data for 2022

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	1,772,728,100.22	2,321,365,545.43	2,552,227,234.66	2,726,261,666.28
Net profit attributable to owners of the Company	412,718,223.34	435,830,915.22	1,164,307,058.62	1,256,259.83
Net profit attributable to owners of the Company – excluding non-recurring items	414,159,300.04	344,766,327.01	507,595,218.06	-40,674,019.81
Net cash flows from operating activities	611,009,879.13	981,504,731.88	994,800,057.14	782,175,443.04

III. Non-recurring items and their amounts

Non-recurring item (Unit: RMB)	2022	Notes	2021 (restated)	2020 (restated)
Gains or losses from disposal of non-current assets	928,497,414.27	During the reporting period, the United Land completed the capital reduction procedures, and the Group transferred the premium due to unilateral capital increase by other shareholders in previous years from capital reserve to investment income of RMB921 million	42,728,445.20	74,529.31
Government grants recognised in the profit or loss for the period, except for those which are closely related to the Company's normal business operation, qualified with the requirements under national policies and continuously entitled to government subsidies on a fixed amount or fixed quantity basis	28,720,706.16		61,495,011.45	35,349,930.60
Capital occupation fee received from non-financial corporation recognised in the profit or loss for the period	17,153,619.00		5,055,604.11	8,890,000.00
The net profit and loss of a subsidiary from the beginning of merger to the combined date under the same control	-4,489,534.28		106,733,639.77	-231,556,144.81
Profit and loss from fair value changes arising from the held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities other than those from the effective hedging business in relation to the normal operation of the Company; and the investment income from the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments	95,175,495.33	(1) The income is mainly from changes in fair value of the participating companies' equity and put options. (2) The performance compensation receivable for the subsidiary's failure to fulfill its performance commitments.	233,230,358.31	-24,388,020.67

Financial and Operational Highlights

Unit: Yuan Currency: RMB

Non-recurring item (Unit: RMB)	2022	Notes	2021 (restated)	2020 (restated)
The investment cost of subsidiaries, associates, and joint ventures less than the fair value of the identifiable net assets of the invested entity that should be enjoyed when the investment is obtained			5,772,764.94	
Trustee fee income from entrusted operation				4,107,007.54
Other non-operating income and expenditure excluding above items	-5,108,951.16		17,001,564.94	-3,194,187.26
Other profit/loss items which fall under the definition of non-recurring item				41,165,853.24
Less: Income tax effects	266,405,454.54		88,630,604.94	2,555,033.39
Minority shareholder's interest effects (after taxes)	5,277,663.07		100,987,817.38	9,809,306.97
Total	788,265,631.71		282,398,966.40	-181,915,372.41

IV. Item Measured at Fair Value

Unit: Yuan Currency: RMB

Item	Opening Balance	Ending Balance	Change during the Period	Effects on the total amount of Profit of the Reporting Period
Transactional financial assets (Liabilities are expressed with “-”)	-	-133,009,243.01	-133,009,243.01	-57,612,566.52
Transactional financial assets (Liabilities are expressed with “-”)	564,018,179.30	1,112,243,771.54	548,225,592.24	128,369,905.67
Other non-current financial assets	738,846,474.26	763,264,630.44	24,418,156.18	24,418,156.18
Total	1,302,864,653.56	1,742,499,158.97	439,634,505.41	95,175,495.33

V. Statistics Summary for Last Five Years

Project	Average Daily Toll Revenue(Unit: RMB'000)				
	2022	2021	2020	2019	2018
Meiguan Expressway	373.2	448.9	392.6	382.9	350.9
Jihe East	1,733.0	2,012.4	2,012.0	2,104.8	2,076.4
Jihe West	1,284.0	1,526.7	1,680.4	1,829.5	1,794.4
Shuiguan Expressway	1,565.6	1,808.7	1,658.5	1,786.4	1,738.1
Shuiguan Extension	189.2	244.1	252.8	331.0	328.6
Coastal Project	1,317.8	1,619.6	1,498.4	1,459.1	1,273.5
Outer Ring Project ⁽¹⁾	2,615.6	2,523.5	–	–	–
Longda Expressway ⁽²⁾	361.0	400.1	–	–	–
Qinglian Expressway	1,686.1	2,399.5	2,274.5	2,293.2	2,084.1
GS Expressway ⁽³⁾	6,186.4	–	–	–	–
GZ West Expressway ⁽³⁾	2,862.4	–	–	–	–
Yangmao Expressway	1,681.9	1,352.6	1,293.6	1,524.0	1,770.5
GZ W2 Expressway	1,109.6	1,380.4	1,543.5	1,597.1	1,653.2
Wuhuang Expressway ⁽⁵⁾	1,053.1	1,311.4	1,059.5	1,130.2	1,055.5
Changsha Ring Road	650.9	816.3	511.5	427.8	394.6
Nanjing Third Bridge ⁽⁴⁾	1,250.1	1,301.3	1,516.9	1,393.2	1,341.4
Yichang Project	1,059.7	1,277.5	1,065.8	1,105.5	1,119.1

Note:

- (1) Outer Ring Phase I opened to traffic on 29 December 2020; Outer Ring Phase II opened to traffic on 1 January 2022.
- (2) As the Group completed the acquisition of 89.93% equity interests in Longda Company November 2020, Longda Company has been consolidated into the consolidated financial statements of the Group since 26 November 2020.
- (3) On 11 January 2022, the Group completed the acquisition of 100% equity interests in SIICHIC, thereby indirectly holding approximately 71.83% equity interests in Bay Area Development, which indirectly enjoys 50% profits of GZ West Expressway and 45% profits of GS Expressway.
- (4) The Company completed the acquisition of 10% equity interests in Nanjing Third Bridge on 27 September 2022 increasing the Company's equity interests in Nanjing Third Bridge from 25% to 35%.
- (5) The concession period of Wuhuang Expressway which was invested by the Group has expired and terminated at 24:00 on 10 December 2022.

Financial and Operational Highlights

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	2022	2021 (restated)	2020 (restated)	2019 (restated)	2018 (restated)
Revenue	9,373	10,890	8,029	6,390	6,468
<i>Of which: Toll revenue</i>	4,978	5,893	4,387	4,722	5,656
Profit before interests and tax	3,597	4,419	3,463	3,400	8,058
Net profit	2,014	2,613	1,771	2,451	4,908
Net cash inflows from operating activities	3,369	3,757	1,059	1,658	3,233
Net cash inflows from operating activities and cash return on investments	5,825	7,637	2,519	3,408	6,136
Interest covered multiple (Times)	3.16	4.05	3.16	3.51	6.50
Earnings per share (RMB)	0.838	1.113	0.805	1.124	2.250
Cash dividends per share (RMB)	0.462	0.62	0.43	0.52	0.71

Item	As at 31 Dec 2022	As at 31 Dec 2021 (restated)	As at 31 Dec 2020 (restated)	As at 31 Dec 2019 (restated)	As at 31 Dec 2018 (restated)
Total assets	69,201	72,305	67,073	57,037	55,713
Total liabilities	41,841	40,772	36,837	33,995	31,732
Total equity	27,361	31,533	30,236	23,042	23,982
Debt-to-asset ratio (%)	60.46	56.39	54.92	59.60	56.96
Gross liabilities-to-equity ratio (%)	152.92	129.30	121.83	147.53	132.32
Net borrowings-to-equity ratio (%)	110.13	79.13	74.05	87.56	82.75
Net assets per share (RMB)	7.95	9.89	9.22	8.00	8.40

Note: During 2020, the acquisition of controlling shares of Financial Leasing Company, Logistics Financial Company and Longda Company have been completed, and during 2022, the acquisition of 100% shares of SIICHIC (holding 71.83% of the equity of the Bay Area Development and consolidating its financial statements) has been completed. In the year of completion of the acquisition, the above enterprises will be included in the scope of group consolidation according to the business combination under the same control, and the data of the consolidated financial statements of the previous years will be retroactively adjusted.

- **Description of principal financial ratios**

Profit before interests and tax	=	Net profit + Income tax expenses + Interest expenses
Net cash inflows from operating activities and cash return on investments	=	Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments
Interest covered multiple	=	Profit before interests and tax/Interest expenses
Debt-to-asset ratio	=	Total liabilities/Total assets
Gross liabilities-to-equity ratio	=	Total liabilities/Total equity
Net borrowings-to-equity ratio	=	(Total amount of borrowings – Cash and cash equivalents)/Total equity

Events of the Year



Outer Ring Phase II commenced operation.

Completed the acquisition of 100% interest in SIICHIC, thereby indirectly holding 71.83% shares in Bay Area Development.

Issued the phase 1 of the 2022 corporate bonds with a scale of RMB1.5 billion ("22SE01" · bond code: "185300.SH").

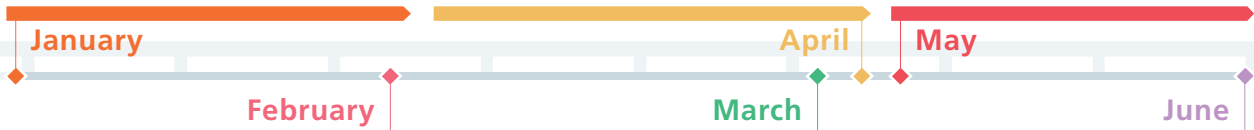
Published the first quarterly results of 2022.

Acquired 70% equity interest in Lisai Environmental by acquisition and capital increase.

Won the "Best Investor Relations Case Award" of the "13th Tianma Award for Investor Relations of Chinese Listed Companies" by Securities Times.



Won the "Innovation Award for Performance Briefing" and "Diligence Award for Performance Briefing" of the "Investor Relations Gold Award of p5w.net (2021)".



The headquarters office was moved to Hanking Financial Center in Nanshan District.

Published annual results of 2021

Issued the 2022 Phase I Super Short-term Commercial Paper with a scale of RMB1 billion.

The Company established and controlled Shenzhen Expressway Digital Technology Co., Ltd. (深圳高速公路集团数字科技有限公司).

Declared and distributed a final dividend of RMB0.62 per share (inclusive of tax) for 2021.

Issued the 2022 Phase II Super Short-term Commercial Paper with a scale of RMB1 billion.

Increased by acquisition of the equity interest in Qiantai Company from 13.33% to 63.33%.

Ranked "Generous Reward List" and "Genuine Reward List" of the "2021 Cash Dividend List of A-Share Listed Companies" by China Association for Public Companies.

According to the ESG rating of FTSE Russell, the world's second-largest index service provider, the Company ranks 28th among the 692 Chinese listed companies rated and 1st in the transport infrastructure industry.

The Outer Ring Project's "Research and Development of Fiberglass Reinforced Concrete Bridge Railings" won the second prize of the Third Guangdong Province Highway Society Science and Technology Award.





Signed the Jihe Expressway Reconstruction and Expansion PPP Contract.

Issued the 2022 Phase III & IV Super Short-term Commercial Paper with a total scale of RMB1 billion.

Increased by acquisition the equity interest in Nanjing Third Bridge Company from 10% to 35%.

Won the "Top 100 ESG China Listed Companies Award" of the "16th China Listed Company Value Selection" held by Securities Times.

September

The Shenzhen Freight Toll Station Project constructed by the Company won the First Shenzhen Traffic Facilities Excellent Engineering Award.

July

Published the third quarterly results of 2022.

The 51% controlling interest in Coastal Company was transferred to Bay Area Development, and thus the Company's effective interest in Coastal Company dropped to 85.63%.



Won the "TOP 20 Board Governance of Listed Companies in Greater Bay Area 2022" and re-elected as "TOP 20 Green Governance of Listed Companies in Greater Bay Area" organised by Shenzhen Research Association of Corporate Governance.

October

Signed the Shaoyang kitchen waste collection and treatment franchised operation project.

Mr. Hu Wei retired and resigned from the post of Chairman, and Mr. Liao Xiang Wen was nominated to temporarily preside over the Board.

The concession period of Wuhuang Expressway was terminated.

Ranked in the "Top 500 Chinese Listed Companies in 2022" and won the "Top 500 Chinese Enterprises Award in 2022".

Won the "Best Capital Market Communication Award", "Best Information Disclosure Award" and "Best Director Award" in the "6th China Excellent IR Award 2022" organised by Roadshow China.

Won the "Outstanding Enterprise in Environmental Responsibility" in the "China ESG Golden Awards 2022" sponsored by Sina Finance ESG Rating Center.



November

Ranked 36th in "Social Responsibility of Local State-owned Enterprises-Pioneer 100 Indices" in the Research Report on Corporate Social Responsibility of Local SASAC And Local State-owned Enterprises (2022), which was first released under the guidance of the Social Responsibility Bureau of the State-owned Assets Supervision and Administration Commission of the State Council and ranked 4th among Shenzhen enterprises.

Listed in the list of the "Best Practice of Listed Companies' Annual Report Presentation 2021" held by China Association for Public Companies.

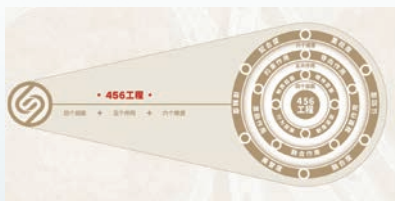
The Jihe Project's "Research on Key Technological Indicators of 3D Composite Expressway" won the first prize and the Coastal Project's "Multi-channel Tidal Lane Control System for Expressway Toll Station" won the second prize in the "Second Shenzhen Traffic Engineering Technology Innovation Award" sponsored by Shenzhen Transportation Association.

Won a second prize in speeches and a third prize in micro-movies in the finals of the Tenth National Brand Story Competition.

December

Published 2022 interim results.

The Company's achievements of the 456 Party Building and Cultural Empowerment Projects are included in the compilation of typical cases of the three-year action of state-owned enterprise reform of Guangdong Province.



Board of Directors' Statement



LIAO XIANG WEN

Executive Director
and President

To all shareholders,

On behalf of the Board, I am pleased to inform the shareholders that in 2022, the Group has recorded the revenue of RMB9,373 million, with a YOY decrease of 13.93%, while achieving a net profit attributable to the shareholders of the parent company of RMB2,014 million, with a YOY decrease of approximately 22.92%, and realising the earnings per share of RMB0.838. The Group has always committed to enhancing the value of the enterprise, while striving to expand its business and promote the development and growth of the enterprise, it has adhered to the implementation of an active cash dividend policy, taking into account the long-term and short-term interests of investors and provide good and consistent returns for shareholders. The Board has proposed a final cash dividend of RMB0.462 per share for 2022, with an aggregate amount of approximately RMB1,008 million, which, after excluding the investment income payable to the holders of the perpetual bonds, is accounted for 55.13% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2022. Such recommendation will be implemented upon the shareholders' approval on the 2022 Annual General Meeting of the Company.



Business Review

In 2022, the recovery and growth of the Chinese economy was greatly challenged due to complex external environment factors, such as international geopolitical conflicts, and substantial inflation and interest rate hikes of major foreign economies. Adhering to the general tone of seeking progress while ensuring stability, the Chinese government promote policies related to economic development in a unified manner. In face of the severe and complex external environment, Shenzhen Expressway crew grasp the nettle, comprehensively implemented the requirements of "stabilising the economy and securing development", coordinated relevant arrangement related to corporate development in a unified and steady manner to dealt with the impact of factors beyond expectation, which it overcame difficulties with an unusual resolution and unusual measures, ensuring stable corporate development.

Board of Directors' Statement

During the Reporting Period, guided by the 14th Five-Year Plan development strategy, and driven by the mission of “building quality infrastructure to provide beautiful living experience in cities”, the Group stuck to the positioning as an urban and transport infrastructure constructor and operator, and thoroughly implemented the various work plans formulated at the year beginning with the support of our shareholders, the government and all sectors of the society. In terms of toll road operation, high-quality traffic services were provided to the public by continually optimising the management and maintenance level of road assets, and improving digital capabilities and road network efficiency. In terms of major projects, the Outer Ring Phase II was completed and opened to traffic in January 2022, major projects like Coastal Expressway Phase II, Jihe Expressway Reconstruction and Expansion Project, Guangming Environmental Park, and Longli River Bridge progressed orderly, while Outer Ring Phase III and Shenshan Second Expressway were at the preliminary stage. In terms of project development, the Company continued to consolidate and upgrade the core business of toll highways, completing the acquisition of 71.83% controlling interests of the Hong Kong listed company Bay Area Development, adding GS Expressway and GZ West Expressway to the Group's toll highway business portfolio with an additional attributable mileage of 105 kilometres; and won the bids for two organic waste treatment projects in Shaoyang and Ya'an. As at the end of the Reporting Period, the Group's designed capacity of organic waste treatment exceeded 6,900 tons/day. In terms of funding and financing, the Group completed the capital reduction of United Land, improving overall fund utilisation efficiency; took the opportunity of market interest rate decline for low-cost financing, and coordinated with banks to cut loan rates to reduce financing costs and maintain financial security. In terms to corporate governance, the Group kept optimising the management of subsidiaries and aligned subsidiaries with the Group's development strategy effectively.

A description of business operations of each segment of the Group during the Reporting Period is set out in “Management Discussion and Analysis” of this Annual Report. For details, please refer to the report made by the Management of the Company.

Future Outlook

In March 2021, the National People's Congress passed the Outline of the 14th Five-Year Plan for National Economic and Social Development (“The 14th Five-Year Plan”) and the Long-Term Goals for the Year 2035. The 14th Five-Year Plan set major goals of economic and social development for this period, which included accelerating the establishment of China's strength in transport, building a modern energy system, improving environmental quality, and promoting the development of the Guangdong-Hong Kong-Macao Greater Bay Area in a proactive and steady manner. In October 2022, the report of the 20th CPC National Congress laid down our country's strategic tasks and major moves in the next five years, including building a new development pattern faster, promoting green development, driving the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, etc.

In 2023, with the support of a series of economic revitalisation policies promulgated by the state, China's economy is expected to play out the advantages of high resilience, great potential and strong vitality, and rebound gradually and steadily.

Being dedicated to the transport infrastructure industry for over 20 years, the Group has developed a series of core competencies, including the advantages of the state-owned capital platform for infrastructure in the Greater Bay Area, the comprehensive integration capabilities and industrial synergy capabilities of investment, construction, operation and management, and innovation capabilities in business models and technology management, as well as the advantages of a good financing platform at home and abroad, laying a solid foundation for the Group to strengthen the core business of toll highways, develop the general environmental protection industry, and explore businesses such as new urban construction and industrial-financial integration. In 2023, the Group will review and evaluate the 14th five-year strategic plan based on the business environment, industry trend and competitive landscape to align its strategic plan with the national development trend, and its own advantages and features.

The toll highway business is the primary business of the Group. In 2023, the Group will continue to give play to its construction and operation management advantages, build intelligent and digital toll highways actively, and explore innovative business models and application scenarios, and strengthen the exploration of the market-oriented industry chain business. It will continue to promote the reconstruction and expansion of existing projects, and the construction of existing major projects, look for investment and M&A opportunities in high-quality projects, and strive to reduce costs, increase efficiency and practise lean management, so as to maintain the leadership of the main business of toll highways. In addition, the Group will strengthen cooperation with the government and related parties, actively promote the activation and development of land along expressways, and realise synergetic development with the main business of toll highways.

The Group has preliminarily achieved its strategic layout in the general environmental protection industry. As the toll highway industry enters a stockpile era, entering the general-environmental protection industry can contribute to the Group's sustainable development. The Dual Carbon goal, the development plan for renewable energy, and other environmental policies proposed by the state in recent years will bring opportunities for the development of the Group's environmental protection business. In the future, the Group will continue to focus on the solid waste treatment and clean energy power generation segments, allocate resources carefully, and improve the profitability of the environmental protection sector by project selection, lean operation and business synergies.

In addition, the Group will explore and cultivate businesses such as new urban construction and industrial-financial integration, develop new business growth poles, and realise industry synergies through such financial instruments as industry funds and financial leasing to support the development of the two core businesses, maximise the value of the industry chain, and promote the Company's high-quality, sustainable development.

Guided by the Group's 14th Five-Year (2021–2025) Development Strategy, and based on the above analysis of the business environment, industry trend and competitive landscape, the Management devised a specific work plan for the year. For details, please refer to the Group's development strategy, business plan, capital expenditure plan, risk analysis and coping strategy in "Management Discussion and Analysis" of this Annual Report.

In the future, the Group will give full play to its core advantages of region, brand, team and capital based on the existing business layout of dual major businesses, pursue a market-oriented and innovation-driven strategy, while improving corporate governance and the operating mechanism. Seizing the opportunities of such era arising from the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen in building a pilot demonstration area of socialism with Chinese characteristics, the Group will consolidate and enhance its advantages in the toll highway industry and proactively expand into the featured environmental protection and integrated clean energy industries to build an intelligent Shenzhen Expressway and promote the high-quality and sustainable development of the Company.

Acknowledgements

On behalf of the Company, I would like to take this opportunity to thank our directors, supervisors, management and all the staff for their wisdom and hard work, as well as our shareholders and all sectors of society for their great support and deep trust. In 2023, in the face of the complex situation and arduous tasks, the Shenzhen Expressway crew will be determined, hand in hand, work together diligently, persistent in practice to achieve our strategic goals and sustainable development in an energetic manner, and contribute to China's economic and social development as a Shenzhen state-owned enterprise.

Liao Xiang Wen
Executive Director and President

Shenzhen, the PRC, 24 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

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Management Discussion and Analysis

I. Discussion and Analysis of the Operations

The Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as the general-environmental protection business. At present, the Group's general-environmental protection business focuses on recovery and solid waste treatment and clean energy business. In recent years, the Group adheres to a market-oriented, specialised and industrialised approach to continuously integrate its internal organisational structure and functions. It has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and new energy which include the Investment Company, a company principally engages in the business of infrastructure construction joint comprehensive development of land; the Operation Development Company, a company principally engages in highway operation, maintenance management services and intelligent transportation business; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry such as recovery and solid waste treatment; the Construction Development Company, a company principally engages in engineering construction management services; the Infrastructure and Environmental Protection Company, a company located in the Shenshan Special Cooperation Zone, engaging in the provision of large-scale infrastructure construction management services for the cooperation zone and environmental project investment within the cooperation zone, and the New Energy Company, a company principally engaging in the expansion of businesses relating to wind energy and other new energy; and the industry financial management department, which would act as a consolidated management platform of the Group for the industrial-financial integration business. Through the aforesaid business platforms, the Group will give full play to its own competitive advantages in infrastructure investment and financing, construction, operation and integrated management, focus on the active expansion of the dual core business areas of "toll road + environmental protection", and moderately extend the upstream and downstream of the industrial chain, and develop other service-oriented businesses such as operation maintenance, engineering management, industrial finance and digital technology, and strive to expand the Group's business development space.

The Company's "14th Five-Year Plan" (2021–2025) development strategy (the "Development Strategy") specified the strategic goals and directions for the Group's development in the "14th Five-Year Plan" period, that is, "the Company will further develop in Shenzhen, and the Guangdong-Hong Kong-Macao Greater Bay Area with nationwide coverage. Featuring "Innovation, Intelligence, Green and Efficiency", the Company will provide sustainable development solutions for cities, and be committed to becoming a first-class and important service provider for infrastructure construction and operation in terms of highway transportation and environmental protection, so as to realise scale growth, structural optimisation, capacity enhancement and mechanism improvement." With toll highway and general-environmental protection as its core business segments, the Group will build a "Smart Shenzhen Expressway" through digital intelligence empowerment.

At the current stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution of general-environmental business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, finance, engineering consulting and inter-network toll collection businesses. As of the date of this report, the main business of the Group is set out as follows:

Shenzhen Expressway Corporation Limited		
Mail Toll Highway Business		General Environmental Business
<p>Shenzhen region:</p> <ul style="list-style-type: none"> ◆ Meiguan Expressway 100% ◆ Jihe East 100% ◆ Jihe West 100% ◆ Coastal Project ^{note1} 100% ◆ Outer Ring Project 100% ◆ Longda Expressway 89.93% ◆ Shuiguan Expressway 50% ◇ Shuiguan Extension 40% 		<ul style="list-style-type: none"> ◆ Mulei Wind Power Project 100% ◆ Baotou Nanfeng 100% ◆ Yongcheng Zhuneng Project 100% ◆ Zhongwei Gantang Project 100% ◆ Guangming Environmental Park 100% ◆ Bioland 92.29% ◆ Shaoyang Project 100% ◆ Lisai Environmental 70% ◆ Shenshan Qiantai 63.33% ◆ Nanjing Wind Power 51% ◆ Fenghe Energy 50% ◆ Huai'an Zhongheng 20% ◆ Derun Environment 20% ◇ Shenzhen Water Planning 11.25%
<p>Other regions in Guangdong Province:</p> <ul style="list-style-type: none"> ◆ Qinglian Expressway 76.37% ◇ GS Expressway ^{Note2} 45% ◇ GZ West Expressway ^{Note2} 50% ◇ Yangmao Expressway 25% ◇ GZ W2 Expressway 25% 		<p>Entrusted Management and Other Infrastructure Development</p> <p>Industrial-Financial Integration</p> <p>Other businesses</p> <ul style="list-style-type: none"> ◆ Digital Technology ◇ Engineering Consulting ◇ Inter-network Toll Collection
<p>Other Provinces in the PRC:</p> <ul style="list-style-type: none"> ◆ Wuhuang Expressway ^{note3} 100% ◆ Yichang Project 100% ◆ Changsha Ring Road 51% ◇ Nanjing Third Bridge 35% 		
<p>Icon: ◆ Consolidated project ◇ Non-consolidated project</p>		
<p>Note 1: The Company directly holds 49% interest of Coastal Project, and indirectly holds 51% interest of Coastal Project through Bay Area Development.</p>		
<p>Note 2: The Company indirectly holds interests of GS Expressway and GZ West Expressway through holding 71.83% of the shares of Bay Area Development.</p>		
<p>Note 3: The concession term of Wuhuang Expressway expired at 24:00 on 10 December 2022.</p>		

Management Discussion and Analysis

II. Particulars of the Industry in which the Company Operates During the Reporting Period

In 2022, due to the heightened geopolitical conflicts, etc., the global political and economic landscape evolved at a faster pace, global inflation risks increased, and China's economy faced pressure in multiple aspects. In face of the complex and severe international and domestic situations, China has adhered to the general tone of its work of seeking progress while maintaining stability, scientifically coordinates macroeconomic control policies, and the national economy has withstood the pressure and continued to develop. In 2022, China's GDP was RMB121.02 trillion, a YOY increase of 3.0%, the total value of foreign trade imports and exports was RMB42.07 trillion, a YOY increase of 7.7%. China's economy showed strong resilience. In 2023, it is expected that my country will further increase macro-policy regulation and control, strengthen the coordination and cooperation of various policies, and form a joint force to promote high-quality economic development. The long-term trend of steady economic development is conducive to the proper development of investment, production and operation activities of enterprises, which promotes stable growth in general demand for highway transportation and logistics, and to a certain extent enhanced the demand for environmental protection businesses such as recovery and solid waste treatment and clean energy.

Source of data: Government statistics information website

(I) Toll Highway Business

1. Policy environment

The CPC Central Committee and the State Council issued the "Outline for Building National Strength in Transportation" (《交通強國建設綱要》), and the "Outline for the National Integrated Three-dimensional Traffic Network Plan" (《國家綜合立體交通網規劃綱要》) (collectively referred to as the "Outlines") in September 2019 and April 2021, respectively, systematically drew the grand blueprint of China's transport development in the next 30 years. In January 2022, the State Council issued the "14th Five-Year Development Planning for Modern Integrated Transportation System" (《“十四五”現代綜合交通運輸體系發展規劃》), implementing the spirit of the "Outline" and made top-level design and systematic arrangements for the construction of a modern integrated transportation system during the 14th Five-Year Plan period. The development goal of the modern integrated transportation system during the 14th Five-Year Plan period are: basically achieves integrated development comprehensive transportation, make substantial breakthroughs in intelligence and greenisation of transportation, to significantly improve comprehensive capabilities, operating efficiency and overall performance, and striding towards world-class level of transportation development. Among the above-mentioned development goals, for the road transportation sector, it proposes to improve the structure and function of the road network, improve the national expressway network, expand and reconstruct busy and congested sections of the main line of the national expressway, and accelerate the construction of parallel lines, connection lines and road sections to be connected; strengthen infrastructure maintenance, develop and regulate road maintenance market, and gradually increase the purchase of maintenance services from the society. The goal is that by 2025, China shall have realised integrated development in comprehensive transportation, where the total mileage of nationwide expressways shall be 190,000 kilometres. In April 2022, the MOT issued the "'14th Five-Year Plan' Outline for Road Maintenance Management Development" (《“十四五”公路養護管理發展綱要》), clarifying the development goals and key tasks of road maintenance and management during the "14th Five-Year Plan" period, and proposing to accelerate the building of a unified, open, standardised and orderly road maintenance market. In the second half of 2022, the NDRC and the MOT also issued relevant documents on the national highway network planning and the green transportation standard system, etc.

In addition, to thoroughly implement the decisions and arrangements of the executive meeting of the State Council to reduce freight logistics costs, the MOT and the MOF jointly issued the "Notice on Phased Reduction and Exemption of Truck Tolls on Toll Roads" (《關於做好階段性減免收費公路貨車通行費有關工作的通知》) on 30 September 2022, requiring that on the basis of continuing to implement the existing various toll reduction policies on toll roads across the country, the tolls for trucks will be further reduced by 10% from 0:00 on 1 October 2022 to 24:00 on 31 December 2022.

2. *Fundamentals and Analysis of the Industry*

Expressways are an important component of a country's fast transportation network. Through over 20 years of construction and development, the highly developed expressway network plays a critical role in promoting China's economic development. Highway transport is the most widely used mode of transport with the largest coverage and serving the largest population. As China's transportation system enters a new stage, the expressway industry is facing new requirements and new industry trends. The expressway industry should continually improve overall transport service level, and efforts to implement digitisation of facilities, professional maintenance, modern management, efficient operation and high-quality services around the theme of high-quality development. Therefore, toll highway enterprises must enhance their ability to provide quick and safe traffic network services, and serve as important transit channels in metropolitan express travel and logistics circles. Meanwhile, the planning to improve expressway transit quality and carry out renovation for capacity expansion of congested sections will bring about material development opportunities to toll highway enterprises in the renovation and expansion market. In addition, toll highway enterprises should extend the industry chain upstream and downstream actively, develop intelligent transport application platforms and service systems, and cultivate professional ability to export digital products and services. Developing management and maintenance capabilities, and providing professional highway maintenance services will also be new business opportunities for toll highway enterprises.

Being dedicated to the transport infrastructure industry for over 20 years, the Group has accumulated extensive experience in areas such as highway investment, construction, operation and management. During the Reporting Period, the Group completed the acquisition of Bay Area Development, and thus indirectly held partial equity interests in GS Expressway and GZ West Expressway, further consolidating the toll highway assets of the Group. Currently, the Group invested and operated in a total of 16 toll highway projects, with the controlling interest mileage of approximately 643 kilometers, mainly located in Shenzhen and the Guangdong–Hong Kong–Macao Greater Bay Area and economically developed regions with favourable geographical advantages and excellent asset conditions. The Company is in the leading position in terms of the scale of road assets and profitability among the listed domestic expressway companies. In recent years, the Group has actively promoted the research and application of intelligent transport. The road network monitoring, command and control system platform has been successfully launched and put into operation providing an information application platform for businesses including the monitoring and management of road network operation, business synergy and emergency response. The integrated information platform for the management and control of the road condition of Outer Ring Project developed by the Company has obtained the national computer software copyright and obtained two national practical innovation patents. In addition, the expressway construction management platform based on BIM technology has been basically completed. The Group actively build "Intelligent Expressway" through vigorously promoting the application of new technologies and to empower the operation development of its main businesses. For further details of the industry position of the Group, please refer to the "Analysis of Core Competitiveness During the Reporting Period" below.

Management Discussion and Analysis

(II) General Environmental Protection Business

The 2022 Government Work Report listed "continue to improve the environment and promote green, low carbon development" as one of the annual priorities for 2022. Strengthening the solid waste treatment and new pollutants, implementing waste sorting, reduction and recycling, promoting the low carbon transformation of energy, and developing renewable and clean energy were considered as an important measure in building an ecological civilisation system. In recent years, the state has promulgated multiple relevant industry plans and policies to promote the standardised and orderly development of the recovery and solid waste treatment and clean energy industry.

1. Policy environment

◆ *Recovery and solid waste treatment industry:*

Solid waste is divided into industrial solid waste, domestic waste, construction waste and agricultural solid waste. The NDRC issued the "14th Five-Year Plan for the Development of Urban Domestic Waste Classification and Treatment Facilities" (《“十四五”城镇生活垃圾分类和處理設施發展規劃》), which proposed that the utilization rate of the national urban domestic waste recovery will reach approximately 60% by the end of 2025. The domestic waste classification collection and transportation capacity will reach approximately 700,000 tons/day, which will basically meet the needs of the classification collection, transfer and treatment of urban domestic waste at the prefecture level and above, and the plan has imposed requirements for orderly construction of kitchen waste treatment facilities. Since the beginning of the 14th Five-Year Plan period, the NDRC, the Ministry of Ecology and Environment, and other ministries and commissions have issued a series of policies intensively on pollution and carbon reduction, integrated solid waste utilisation, etc., proposing to realise synergies in pollution and carbon reduction through solid waste reduction, recycling and harmless treatment. Moreover, in 2022, the relevant state ministries and commissions issued documents in relation to the construction of "zero-waste cities", classified management of domestic waste, charging mechanism, etc.

◆ *Clean energy industry:*

In March 2022, the NDRC and National Energy Administration issued the "Plan for a Modern Energy System during the 14th Five-Year Plan Period" (《“十四五”現代能源體系規劃》), which set out that China has entered a critical period for the assurance of energy security as well as an important window period for the low carbon transformation of energy sources, and the consumption of non-fossil energies should increase to 20% by 2025, and called for fast development of wind and solar power generation to promote large-scale exploitation and high-quality development. In early June 2022, 9 ministries and commissions including the NDRC jointly issued the "14th Five-Year Plan for the Development of Renewable Energy" (《“十四五”可再生能源發展規劃》), which proposed new development goals for the wind power industry. During the 14th Five-Year Plan period, the increased power generation by renewable energy shall represent more than 50% in the growth of social power consumption, and the wind and solar power generation shall be doubled. Meanwhile, the document has also defined the key areas for large bases. In January 2023, the National Energy Administration issued the "Bluebook on the Development of New Electric Power Systems", which proposed to make new energy become the main part of increased power generation, with a proportion of over 40% in installed capacity and over 20% in power generation by 2030, and make new energy become the main power source of system installation by 2045. In addition, national and local government authorities issued a number of policies on the building of the energy standardisation system, the building of strong clean energy provinces, the power support improvement action, the implementation plan for carbon peaking, etc. in 2022, so as to accelerate the healthy development of the clean energy industry, and realise the "Dual Carbon" strategic goal.

2. ***Fundamentals and Analysis of the Industry***

A series of industry plans and policies promulgated by the state have laid down development directions and goals for the recovery and solid waste treatment and clean energy industry. While the state is driving the “Dual Carbon” strategy energetically, the recovery and solid waste treatment and clean energy industry is facing major market opportunities.

As far as the solid waste resource treatment industry is concerned, driven by the low-carbonisation process, China’s recovery and solid waste treatment industry is undergoing an expanding market size, an improving level of facilities and treatment techniques, and a rising recycling rate. Since the beginning of the 14th Five-Year Plan period, the state has further optimised industry policies for solid waste treatment, prohibited the import of solid waste comprehensively, continued to strengthen the integrated utilisation of solid waste, and promoted the construction of “zero-waste cities”. Driven by the rising output of solid waste, strong state policy support, evolving solid waste treatment techniques, and expanding environmental protection investment, China’s solid waste treatment industry has entered a fast track. It is estimated by a specialised agency that China’s annual solid waste treatment capacity is expected to reach 13 billion tons in 2027, and the compound annual growth rate in 2022–2027 will be approximately 3.6%. Source: Forward Industry Research Institute In terms of competitive landscape, the organic solid waste treatment industry currently adopts the administrative license system, which requires enterprises to establish their sophisticated treatment models and normative operational standards, forming an entry barrier to some extent. On the other hand, a capital barrier exists in respect of large-scale organic solid waste treatment projects due to their characteristics including huge investment, long construction cycle, complicated treatment techniques and long payback period. In addition, the solid waste treatment industry is closely associated with regional economy and local government policy directions, and has a strong regional attribute. Therefore, enterprises with higher qualifications and capital strength are more competitive.

In respect of the clean energy industry, the development of a low-carbon clean energy system operating in a safe and efficient manner has been adopted as a long-term national policy. A series of policies and regulations have thus been promulgated by the central and local governments to secure the development of the clean energy industry. At present, China ranks first globally in terms of the installed capacity of wind power and photovoltaic power, and the adoption of renewable energy, mainly wind power and photovoltaic power, has become a major trend in China’s energy industry in place of fossil fuels. In 2022, the grid parity policy continued to apply to newly approved onshore wind power projects, and feed-in tariffs were based on local benchmark prices of coal-fired power generation, better than market expectation. According to the data published by the National Energy Administration, China’s newly installed grid-connected wind power capacity in 2022 amounted to 36.96 million kW. As of the end of 2022, the accumulated installed capacity of wind power in China amounted to 370 million kW, representing a YOY increase of 11.2% and accounting for 14.25% of the installed capacity of grid power generation. Meanwhile, in the “grid parity” new cycle, wind power enterprises make every effort to cut cost and increase efficiency. As high capacity wind turbines can effectively increase the energy utilisation ratio and reduce the unit cost of electricity, wind power generators have demonstrated an obvious trend toward larger sizes. As China’s large wind power base development and construction advances, the size of wind power generators will grow faster, posing a challenge to the R&D capability and product upgrading efficiency of wind turbine manufacturers.

Management Discussion and Analysis

During the last strategy period, having set the goal of entering the general environmental protection industry for strategic transformation, the Group prudently sought opportunities for cooperation with leading enterprises in the general environmental protection industry to enter the environmental protection and clean energy business sector from a high starting point while consolidating and improving the main business of toll highways. Besides, it gradually shifted focus to the recovery and solid waste management and clean energy industry through investment and M&A over the last few years, thereby initially expanding its business presence into the general environmental protection industry. Being supported by the national policies, the recovery and solid waste management and clean energy industry is relatively more aligned with the management and operation mode of the Group in view of its mode of return on investment based on the nature of asset-heavy with stable business of the industry.

In the recovery and solid waste treatment business, Bioland under the Environmental Company, a wholly-owned subsidiary of the Company, is currently a major enterprise in the field of integrated solution, construction and operation for organic waste in China, and has service capabilities throughout the industry chain. As of the Reporting Date, Bioland has a total of 20 BOT/PPP organic waste treatment projects. In April 2022, the Environmental Company acquired 70% equity interests in Lisai Environmental, further improving the Group's organic waste treatment capacity in Shenzhen; the Company's wholly-owned Guangming Environmental Park Project is under active construction, and is scheduled to be completed and put into operation in 2023. In addition, the Environmental Company also won the bids for the Shaoyang Project in 2022. As of the Reporting Date, the organic waste treatment designed capacity of the Group exceeded 6,900 tons/day, ranking among the leaders in the domestic industry. As a newcomer in the recovery and solid waste treatment industry, the Group will further optimise business management and integration and development of its professional team. By capitalising on the favorable policies, it will seek market expansion proactively and continue to enhance its core competitiveness and profitability.

In terms of the clean energy business sector, as at the end of the Reporting Period, the Group has wind power projects with an aggregate installation capacity of 648MW through investment and M&A, meanwhile has controlling interests of Nanjing Wind Power, and has established a joint venture company with SPIC Fujian Company which acquired 51% equity interests in Nanjing AVIS. Nanjing AVIS principally engages in the business of after-sales operation and maintenance services. In addition, the Group possessed the license of financial leasing. Through active business layout plan, the Group has developed the capability in the integrated business covering the investment and operation of wind farm projects, research and development and manufacturing of wind power complete machine equipment, after-sales operation and maintenance services, and project financing. As a newcomer in the industry, the Group will intensify the management integration of acquired and merged enterprises, give full play to the synergistic advantages across the new energy industry chain, and improve the overall market competitiveness of the industry chain to boost the stable development of the Group's clean energy business.

III. Business of the Company During the Reporting Period

During the Reporting Period, the Group took active measures to promote the production and operation of toll highways, general-environmental protection and other related businesses. In 2022, the Group recorded revenue of approximately RMB9.373 billion, representing a YOY decrease of 13.93%. Among them, toll revenue was approximately RMB4.978 billion, revenue from environmental protection businesses such as clean energy and recovery and solid waste management was approximately RMB1.757 billion, and other revenue was approximately RMB2.637 billion, which accounted for 53.12%, 18.75% and 28.13% of the total revenue of the Group, respectively.

(I) Business Management and Upgrade

◆ *Improving the Company's classified management system and management efficiency continually*

In recent years, with the Group's increased expansion efforts and the continuous implementation of M&A projects, the number of subsidiary companies in each business segment of the Group has continued to increase. To strengthen internal management and improve decision-making efficiency, the Group has formulated working guidelines and other system documents on classified management for different business segments, and established a classified management system at some pilot subsidiaries on the basis of regulating business operation and management. During the Reporting Period, to improve the classified management level, the Company reviewed and improved the operational effect of the pilot enterprises of classified management, and further defined the boundary of authorities and responsibilities of the Group. In addition, the Company also compiled a list of matters for the straight-through management of Level 3 and below subsidiaries by the Group headquarters to further improve the classified management system, establish a sound authorisation mechanism with equal rights and responsibilities, and stimulate business vitality. In 2022, the Group also required all business segments to benchmark against industry benchmarks, comprehensively sort out internal management systems and operating procedures, deeply understand the current shortcomings and gaps in each business segment, and take practical measures to carry out benchmarking and improvement actions to improve management efficiency.

◆ *Innovative technology applications to empower business operation with technology*

In recent years, the Group facilitated the operational development with technological innovation and actively carried out innovative technology research and development. Leveraging the advantage of infrastructure resources and operational management experience, combined with big data, artificial intelligence and internet technology resources from professional research institutes and technical teams, the Group advanced implementing and landing innovative technologies in traditional expressway construction and operation, thereby enhancing information technology development for smart transportation and smart environmental protection.

During the Reporting Period, by piloting the smart Jihe Project, the Group studied intelligent application platforms covering road and bridge structural health monitoring, smart tunnels, active traffic control, etc. on the basis of the existing road maintenance and road network monitoring systems; using the Jihe Expressway Reconstruction and Expansion Project as the carrier, the Group commenced topical research in smart highways and designed the proposal for the smart development of Jihe Expressway. Meanwhile, the Group also accelerated the information technology layout planning in the environmental protection sector, and commenced the development of digitalised application of Guangming Environmental Park PPP Project, and the research of an integrated intelligent wind power platform. In toll highway operation practice, the drone road patrol application system has been built and applied, realising drone flight approval, patrol result searching, and the automated recognition of slope collapse, controlled area occupation, vegetation damage and other incidents using intelligent technology, improving the road operation control and intelligent maintenance capabilities. In addition, in 2022, the Group also conducted research on related technology and operation plan of the free-flow toll collection model, and plan to select qualified road sections to carry out open free-flow toll pilot projects in 2023. The Group empowers business operation by actively promoting the application and implementation of innovative technologies.

Management Discussion and Analysis

(II) Toll Highway Business

1. Business Performance and Analysis

The average daily traffic volume and toll revenue of all toll highways operated and invested by the Group during 2022 are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾	Average daily toll revenue (RMB'000)
Guangdong Province – Shenzhen Region:		
Meiguan Expressway	138	373
Jihe East	283	1,733
Jihe West	187	1,284
Coastal Project ⁽²⁾	141	1,318
Outer Ring Project	242	2,616
Longda Expressway	140	361
Shuiguan Expressway	238	1,566
Shuiguan Extension	55	189
Guangdong Province – Other Regions:		
Qinglian Expressway	44	1,686
GS Expressway ⁽³⁾	527	6,186
GZ West Expressway ⁽³⁾	222	2,862
Yangmao Expressway	44	1,682
GZ W2 Expressway	73	1,110
Other Provinces in the PRC:		
Wuhuang Expressway ⁽⁴⁾	63	1,053
Yichang Project	55	1,060
Changsha Ring Road	83	651
Nanjing Third Bridge ⁽⁵⁾	29	1,250

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) According to the freight compensation agreement entered by Shenzhen Transport Bureau, the Company and Coastal Company, during the period from 1 January 2021 to 31 December 2024, trucks passing through the Coastal Expressway shall be charged at 50% of the standard toll rate, and such toll waived by Coastal Company shall be compensated for by the government in a one-off manner in March of the following year.
- (3) On 11 January 2022, the Group completed the acquisition of 100% equity interests in SIICHIC, thereby indirectly holding approximately 71.83% equity interest in Bay Area Development, which indirectly enjoys 50% profit of GZ West Expressway and 45% profit of GS Expressway. The average daily toll revenues of GS Expressway and GZ West Expressway listed in the above table are tax-exclusive.
- (4) The concession period of Wuhuang Expressway funded by the Group expired at 24:00 on 10 December 2022.
- (5) As approved by the executive Board, the Company acquired 10% equity interests in Nanjing Third Bridge for approximately RMB175 million (the actual consideration after deducting the dividends during the transition period is approximately RMB158.9 million), and the relevant business registration change procedure was completed on 27 September 2022, increasing the Company's equity interests in Nanjing Third Bridge from 25% to 35%.

In 2022, the demand for road traffic declined due to external conditions. In the fourth quarter of 2022, the Group strictly complied with the policy of reducing truck tolls by 10% promulgated by the State Council and transport authorities. As a result of the above factors, the overall toll revenue of the toll highways operated and invested by the Group recorded a YOY decrease in 2022. In 2023, as people's lives gradually return to normal, domestic economic development will be reactivated, travel demand will return to normal, and the operating performance of toll roads is expected to enter a stage of stable development.

In April 2022, the Guangdong Provincial Government issued the "Notice on Implementation Plan for Comprehensive Promotion of Differentiated Toll Collection for Highways of Guangdong Province" (《廣東省全面推廣高速公路差異化收費實施方案的通知》), which set out that expressway operating entities may independently implement differentiated toll collection policies to reasonably implement differentiated toll reductions. Based on the requirements set by the MOT and other ministries and commissions, expressway operating companies have already implemented the differentiated toll collection policy in 2021, and the impact of this policy on toll revenue has been reflected to a certain extent. During the Reporting Period, in consideration of the internal and external business environments, and the industry situation, the Group maintained its prevailing differentiated toll collection policy unchanged.

Moreover, the operational performance of the Company's toll expressway projects is also affected by the positive or negative impact of factors such as changes in surrounding competitive or coordinated road networks, construction or maintenance of these projects, renovation of connected or parallel roads, and implementation of urban traffic organisation plans.

(1) *Guangdong Province – Shenzhen Region*

In 2022, the demand for enterprise logistics shipment and public transit decreased, and highway freight traffic in Shenzhen, Hong Kong and the east and west port areas decreased, posing a negative impact upon the operating performance of the Company's expressways in Shenzhen.

Outer Ring Phase II officially commenced operation on 1 January 2022, and was connected to Outer Ring Phase I, producing a positive impact upon the overall operating performance of the Outer Ring Project. During the Reporting Period, the traffic volume and toll revenue of the Outer Ring Project recorded year-on-year growth. As the most convenient high-speed west-to-east main road in Shenzhen, the Outer Ring Project has brought a synergy effect on the network of Meiguan Expressway, Coastal Expressway and Longda Expressway, but a certain diversion impact on the overall traffic volume of Jihe Expressway. In addition, the 4 circuits of the interchange connecting flat ground of Outer Ring Expressway with Huiyan Expressway have not been opened due to construction delay, and are expected to have a positive inducing effect on the traffic volume of the Outer Ring Project after opening.

(2) *Guangdong Province – Other Regions:*

Guanglian Expressway (Guangzhou – Lianzhou), which is basically parallel to Qinglian Expressway, was officially commenced operation at the end of 2021, diverting certain diversion impact on the traffic volume of Qinglian Expressway, the toll revenue of Qinglian Expressway decreased significantly YOY during the Reporting Period. Moreover, Qinglian Expressway passes through many economically important towns, and a number of industrial parks and tourist resorts lie by the road, and vehicles in those areas are easy to access the expressway. Qinglian Company will make use of various channels to publicize the advantageous location of the expressway to attract more traffic. Besides, the opening of the Erenhot – Guangzhou Expressway Lianshan Branch Line and other highways in the neighborhood will in general have a positive influence on the operation performance of Qinglian Expressway.

Management Discussion and Analysis

GS Expressway serves as an important fast channel between Guangzhou and Shenzhen, and GZ West Expressway is a component of the Pearl River Delta Ring Expressway. In 2022, social transportation demand in Guangzhou, Dongguan, Shenzhen and other cities along the line declined due to external conditions. In addition, GZJ Expressway (Guangzhou-Zhongshan-Jiangmen) Phase IV was commissioned at the end of 2021, diverting traffic flow from some sections of GZ West Expressway, both GS Expressway and GZ West Expressway recorded a YOY toll revenue decline during the Reporting Period.

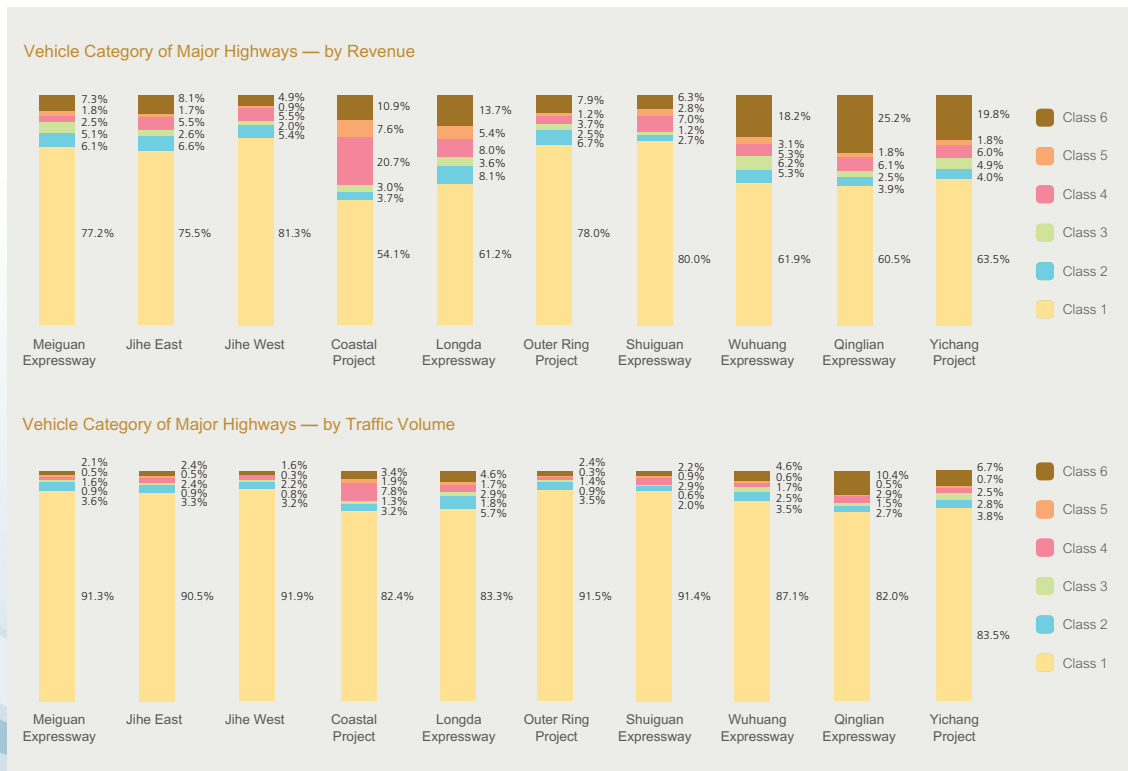
The reconstruction and expansion works of Yangmao Expressway have been completed with all sections of the two-way and eight-lane expressway commenced operation at the end of 2021. The expressway has its toll rate raised from RMB0.45 to RMB0.6 per standard vehicle-kilometer. Benefiting from road network penetration effect of neighboring highways that commenced operation, the traffic capacity increased significantly. During the Reporting Period, Yangmao Expressway saw a significant growth in toll revenue.

(3) Other Provinces

During the Reporting Period, affected by factors such as multiple rounds of rain, snow and freezing weather, Yichang Expressway and Changsha Ring Road in Hunan Province saw a decrease in average daily traffic flow and toll revenue; the traffic flow and toll revenue of Nanjing Third Bridge were basically flat. Due to the decline in willingness to travel in the short term, the traffic flow of Wuhuang Expressway recorded a large year-on-year decrease. In addition, the concession period of Wuhuang Expressway expired at 24:00 on 10 December 2022, and the Group has handled the handover procedure as required by the transport authority.

Reference Information

In 2022, there was no substantial change in the vehicle category for each major highway project of the Group as compared with last year. The following diagram shows the vehicle category of major toll highway projects of the Group:



2. ***Business Development***

The Shenzhen section of the Outer Ring Expressway adopted the dual six-lane expressway for all sections with a total length of approximately 77 kilometers. The construction will be carried out in three phases, of which Outer Ring Phase I (about 50.74 kilometers) commenced operation at the end of 2020, Phase II (about 9.35 kilometers) commenced operation on 1 January 2022, and the preliminary work of Phase III (a planned length of about 16.8 kilometers) is currently underway. The Outer Ring Project is the longest expressway in the expressway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in the Shenzhen region, and become a major trunk line of west-to-east traffic in northern Shenzhen. The Outer Ring Project (Phases I and II) is invested by the Group and the Shenzhen Municipal Government under the PPP model, the investment and financing mode of Outer Ring Phase III has not been fixed yet. In May 2021, the Board approved the Company to commence the preliminary work, such as surveying and design, of all sections of Outer Ring Phase III, and work such as construction and supervision of the first-stage section of Outer Ring Phase III. During the Reporting Period, the preliminary work of all sections of Outer Ring Phase III, such as design revision, was in active progress. For details of the Outer Ring Project, please refer to the relevant contents in the announcements dated 18 March 2016 and 28 May 2021, and the circular dated 25 April 2016 of the Company.

The construction of Coastal Expressway Phase II commenced in December 2015, mainly including the construction of the interchange of the International Convention and Exhibition Center and the connecting line on the Shenzhen side of Shenzhen-Zhongshan Tunnel, in which the interchange of the International Convention and Exhibition Center was completed and put into operation in 2019. The total length of the Shenzhen side of Shenzhen-Zhongshan Tunnel is approximately 5.7 kilometres with two interchanges, namely the airport and Hezhou interchanges. Running from east to west, it starts from the Huanghe toll station of Jihe Expressway (connecting with Jihe Expressway) and ends at the eastern artificial island of Shenzhen-Zhongshan Tunnel (connecting with the open section of Shenzhen-Zhongshan Tunnel). Upon completion, it will be connected to Coastal Expressway Phase I, Jihe Expressway, GS Expressway, Shenzhen-Zhongshan Tunnel and Bao'an International Airport. During the Reporting Period, the connecting of the main line from the Hezhou interchange to the airport interchange of Coastal Expressway Phase II was completed by 91%, and the construction of the roadbed, bridges and accessory works was underway, with focus on the construction of the pile foundations on the eastern artificial island. As of the end of the Reporting Period, approximately 78.4% of the construction progress of Coastal Phase II has been completed, among which the construction of roadbed, bridges and pavements have been completed at a percentage of approximately 78%, 84% and 15%, respectively.

Management Discussion and Analysis

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board approved the preliminary work of the Group's initial design of the Jihe Expressway Reconstruction and Expansion Project in January 2018, and the Board further approved the work in relation to the first-stage section of the Jihe Expressway Reconstruction and Expansion Project and the relocation of high voltage power lines in 2020. The Jihe Expressway Reconstruction and Expansion Project was granted the approval by the Development and Reform Commission of Guangdong Province at the end of 2020. Pursuant to the implementation plan of the Jihe Expressway Reconstruction and Expansion Project formerly approved by the Shenzhen Municipal People's Government, the total investment in the Jihe Expressway reconstruction and expansion project is approximately RMB43.29 billion, adopting the PPP model of "investment subsidy for the construction period + BOT + feasibility gap subsidy for the operation period + sharing of excess revenue". Shenzhen Transportation Bureau is responsible for the management as the implementation agency of this project. With the approval of the Board, the Company entered into a PPP project contract under the Jihe Expressway Reconstruction and Expansion Project ("PPP contract") with the Shenzhen Transport Bureau on 30 September 2022. The Company entered into two investment cooperation and joint construction agreements with the investment partner to be introduced – SZCDTI. Afterwards, the Shenzhen Municipal Government intends to optimise and adjust the implementation plan of the Jihe Expressway Reconstruction and Expansion Project, and adjust the investment and financing plan accordingly, and the adjustment scheme is being studied and verified. The Company will perform the corresponding approval procedure after the investment and financing plan is finalised. For details, please refer to the Company's announcements dated 30 September, 13 October, 20 October, 24 October and 2 December 2022, respectively.

According to the Shenzhen Municipal Government's plans and arrangements of Shenshan Second Expressway (Shenzhen – Shanwei) and with approval of the Board, the Company has commenced preliminary work such as inspection and design of Shenshan Second Expressway. Among them, the subsidiary road (Daya Bay-Pingshan in Shenshan Second Expressway) of Shenzhen Outer Ring Expressway is an integral part of Shenshan Second Expressway, with a full length of approximately 15.28 kilometres, intersecting Outer Ring Phase III and connected to Nanping Expressway Phase III. In December 2022, the Development and Reform Commission of Guangdong Province approved the subsidiary road project of Shenzhen Outer Ring Expressway, the project feasibility study, preliminary review of land use and site were approved by the competent authorities, and the Company was actively engaging with relevant authorities to submit and seek approval for specialised works such as the environmental impact assessment. Shenshan Second Expressway will have access to a number of trunk lines including Outer Ring Expressway upon completion, become an express traffic passage between Shenzhen and Shenshan Special Cooperation Zone, and play a significant role in facilitating economic cooperation and development among Shenzhen, Huizhou, Shanwei, etc.

To strengthen the unified management of the Group's internal financial resources and recover the surplus fund from Coastal Company to optimise the capital structure of the investee enterprises, the Board approved the capital decrease of Coastal Company by RMB3.8 billion. The capital decrease procedure was completed on 8 September 2022, and the registered capital of Coastal Company is decreased from RMB6.6 billion to RMB2.8 billion. In addition, in order to streamline the management structure, and give full play to the economic efficiency of asset integration, the second extraordinary general meeting in 2020 approved the absorption and merger of Coastal Company by the Company. Based on the consideration of the new business structure, the Board approved the Company's proposal to cancel the absorption and merger of Coastal Company on 1 August 2022, which was approved by the first extraordinary general meeting in 2022 on 18 August 2022. For details of the above matters, please refer to the Company's announcements dated 7 March, 13 May, 1 August, 3 August and 18 August 2022, respectively.

With the approval of the Board, on 18 August 2022, the Company and Shenwan Infrastructure, a holding subsidiary of Bay Area Development, signed a capital increase agreement for Coastal Company. According to the agreement, Shenwan Infrastructure plans to subscribe for the additional registered capital of approximately RMB2.914 billion of Coastal Company for RMB2.998 billion (the remaining approximately RMB84 million will enter the capital reserve of Coastal Company) (the “capital increase”). Coastal Company principally engages in the construction and operation of Coastal Expressway. After the completion of the capital increase, Shenwan Infrastructure directly held 51% equity interests in Coastal Company, and the equity interests directly held by the Company in Coastal Company dropped from 100% to 49%. Since the Company held 71.83% equity interests in Bay Area Development, the Group still controlled Coastal Company after the capital increase. The capital increase was approved by the general meeting of Bay Area Development on 13 October 2022, and the equity handover procedure was completed on 30 November 2022. GS Expressway and Coastal Expressway under Bay Area Development are similar in location and direction. This asset integration will realise the unified management of the above two parallel expressways, and the goal of cost reduction, efficiency improvement and lean management. On the other hand, by enriching the main businesses of Bay Area Development, it will play a better role as an investment and financing platform of a Hong Kong listed company, which will help the Group to further expand financing channels. Meanwhile, by maintaining its controlling interests in Coastal Company, the Group will receive funds for its own business development for the benefit of the Group and its shareholders. For details, please refer to the Company’s announcement dated 18 August 2022.

On 11 January 2022, the Group completed the transfer of the acquired 100% equity interests in SIICHIC, and thus held approximately 71.83% equity interests in Bay Area Development indirectly. During the Reporting Period, Bay Area Development prepared its “14th Five-Year Plan” strategic plan, and formulated relevant project plans on this basis. In 2022, Bay Area Development completed the capital increase and acquisition of 51% equity interests in Coastal Company, further expanding its high-quality highway assets. Meanwhile, it promoted the preliminary declaration of the GS Expressway Reconstruction and Expansion Project, and the acquisition and reservation of land held by Guangshenzhu Company actively in coordination with Guangshenzhu Company and the partnering shareholders. During the Reporting Period, the acquisition and reservation agreement for the Luogang Interchange plot (approximately 295,000 square metres) was signed, where Guangshenzhu Company could recover compensation of RMB317 million. In addition, Bay Area Development is actively promoting the activation, development and utilisation of land along GS Expressway together with the partnering shareholders. For the details of operation of Bay Area Development during the Reporting Period, please refer to its Annual Report 2022.

In addition, with the stable growth of the national trunk highway network, the state has promulgated a series of policies to develop the highway maintenance market, and imposed strict requirements on professional qualifications of maintenance agencies, making the highway maintenance market increasingly competitive. The Group’s holding subsidiary Engineering Development Company engages mainly in activities in upstream and downstream industries related to the main business of highway and municipal road maintenance and construction. In August 2022, Engineering Development Company obtained the Class I general contracting qualification for highway engineering construction, which created access conditions for it to expand into higher-level municipal and highway maintenance markets, and laid the foundation for its future qualification upgrade and business expansion. The Group will actively leverage the synergistic effect between the Engineering Development Company and the Group’s main highway business, and empower it with the Group’s information technology achievements, cultivate its professional, intelligent, and market-oriented maintenance technology and service capabilities, and promote the Group’s business expansion capacity. For the businesses of Engineering Development Company, please refer to (IV)/(2) “Entrusted Management Business” below.

Management Discussion and Analysis

(III) General Environmental Protection Business

In order to explore a broader room for the Group's long-term development, the Group will proactively and prudently explore the general environmental protection industry including recovery and solid waste treatment and clean energy principally while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company and New Energy Company as an investment management platform for expanding businesses in relation to the general environmental protection industry.

1. *Recovery and Solid Waste Treatment*

The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies. The Group regards Organic waste treatment as a sub-industry focused on development under the general environmental protection industry and strives to become a leader with industry-leading technology and scale advantages in this field, and proactively explores investment opportunities in other recovery and solid waste treatment fields.

The Company's holding subsidiary Bioland mainly relies on technologies such as the effective anaerobic reaction treatment, MBR membrane bioreactor and its derivative techniques for the provision of systematically comprehensive solutions to customers in regard of municipal organic waste treatment. Its business operation models include, amongst others, project investment and operation PPP (including BOT, the same as below), environment protection construction (EPC), equipment manufacturing and sale, etc. During the Reporting Period, the Group strived to promote the construction and operation of existing projects of Bioland. In 2022, the Group completed the final inspection of the Guilin Phase I Project, Nanning Phase II Project, Yangzhou Project and Wuzhou Project; the Zigong Project and the Guilin Phase I Project were put into commercial operation in October 2022 and December 2022 respectively. Bioland won the bid for the Ya'an Project in December 2022, this project is a kitchen waste harmless treatment and recycling project in Yucheng District, Ya'an City, Sichuan Province, providing citywide kitchen waste disposal, and downtown kitchen waste collection and transfer services, with a treatment capacity of 200 tons/day, and it can be builded in two phases. The gross investment is of approximately RMB130 million and the concession period is of 30 years. As of the date of the Report, relevant specific cooperation matters are still under active negotiation. As of the date of the Report, Bioland has a total of 20 organic waste treatment projects under the PPP model, with a designed kitchen waste treatment capacity of over 4,800 tons/day, in which 13 (total design capacity 3,020.5 tons/day) were put into commercial operation. In 2022, the collection and transportation of kitchen waste and used cooking oil of Bioland has declined, and the operation performance is less than expected. The actual annual organic waste treatment capacity was approximately 844,000 tons. In addition, the progress of the projects under construction of Bioland were lagged behind, some projects have not been transferred into commercial operation as scheduled, the expansion of new projects is less than expected, the execution of some orders is delayed, and some equipment orders have not been accepted on schedule though completed, resulting in the failure to recognise revenue on schedule. Due to the comprehensive impact of such factors, its overall operation performance was not good enough in 2022. During the year, the Group increased its shareholding ratio in Bioland to 92.29% by means of capital increase, etc. On one hand, it optimised the financial structure of Bioland, and enhanced its market competitiveness; on the other hand, it helped the Group to straighten out the management mechanism, and improve the control and standardization level of its operation and management. The Group will further strengthen the integration of the business and management structures of Bioland, and strive to reduce costs, and improve efficiency and profitability.

The Guangming Environmental Park Project shall be implemented by the government under the BOT model. In 2021, the Company signed the contract for the project through open tender. The Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons/day for organic waste, 100 tons/day for bulk waste (waste furniture) and 100 tons/day for greening waste. The proposed concession period of the project is 10 years and shall be extended for 5 years upon being qualified in assessment and approval by the regional government. To make Guangming Environmental Park Project a high-quality model demonstration project to drive the overall development of the Company's organic waste treatment business, upon the approval of the Board, the Company may adjust its total amount of investment to not more than RMB958 million during the Reporting Period. For details, please refer to the Company's announcements dated 8 February 2021 and 28 April 2022, respectively. During the Reporting Period, the Company actively promoted the construction of the main structure and the purchase and installation of major equipment of the Guangming Environmental Park Project, which has been completed by approximately 76.23% in physical shape, and is expected to be completed in 2023.

In February 2022, Environmental Company signed an agreement with its related parties to invest not more than RMB131.25 million to acquire 70% equity interests in Lisai Environmental by way of equity purchase and capital increase. The transfer of equity interests was completed in April 2022, and Lisai Environmental has been consolidated in the Group's financial statements since 20 April 2022. Lisai Environmental is entitled to the concession of the Urban Biogenic Waste Treatment Construction BOT Project in Shenzhen ("Biogenic Project") and the area for concession service covers Longhua District of Shenzhen. The Biogenic Project, a key project of the 863 program under the national "11th Five-Year" Plan, is located in Yunan Environmental Park in Longgang District, Shenzhen. Its original designed biogenic waste treatment capability is 500 tons/day, and the concession periods for kitchen waste and municipal sludge treatment are "10+5" years and 25 years, respectively. Lisai Environmental has officially transferred into commercial operation in December 2017. In addition, as entrusted by related government department, Lisai Environmental also assisted in the treatment of certain kitchen waste in Futian District. During the Reporting Period, the Environmental Company invested not more than RMB35.77 million in the technical transformation of the production lines of Lisai Environmental to improve the automated operation level. After the transformation, its kitchen waste treatment capacity will be increased to 650 tons/day as well as its additional grease treatment capacity will be 30 tons/day, and its quantity of waste collection and transfer will exceed 600 tons/day. During the year, Lisai Environmental adopted such measures as tailoring a collection and transfer mode to each street, and launching small local treatment facilities. At the year end, its quantity of kitchen waste collection and transfer reached 500 tons/day, increased 45% from the pre-purchase level. During the year, it treated approximately 158,000 tons of kitchen waste and refined approximately 3,642 tons of oil, and turned losses into profits in the first year of the acquisition.

Management Discussion and Analysis

In addition, the Environmental Company won the bid for the Shaoyang Project in November 2022 successfully. The Shaoyang Project is a franchised kitchen waste collection, transfer and disposal project in Daxiang District, Shaoyang City, Hunan Province, with a designed treatment capacity of 200 tons/day, operating under the "TOT (transfer-operate-transfer)" model, the total investment of the project is not more than RMB330 million, the concession period is 30 years. The Environmental Company has signed a franchise agreement in December 2022.

In 2022, the key operating data of the Group's organic waste treatment projects put into commercial operation is as follows:

Project	Organic waste		Organic waste disposal volume (thousand tons)	Operating revenue (RMB'000)
	Shareholding ratio of the Group	Proportion of revenue consolidation	Jan-Dec 2022	Jan-Dec 2022
I. Bioland				
Guiyang Project	100%	100%	121.93	88,646.81
Nanning Project	100%	100%	179.52	87,742.19
Dezhou Project	100%	100%	141.97	35,516.26
Taizhou Project	100%	100%	85.65	34,185.75
Other projects	70~100%	100%	315.15	143,507.07
Subtotal			844.22	389,598.07
II. Lisai Environmental⁽¹⁾	70%	100%	112.63	82,989.40
Total			956.85	472,587.47

Notes:

- (1) Lisai Environmental has been consolidated in the Group's financial statements as of 20 April 2022. The data in the above table is its operating data during May-December 2022.

Upon approval of the Board, in June 2022, Infrastructure and Environmental Protection Company invested approximately RMB72.47 million to increase its equity interests in Shenshan Qiantai from 50% to 63.33%. Shenshan Qiantai is qualified for scrapping retired new energy vehicles and is principally engaged in providing scrapping, recycling and disposal services for diesel vehicles as well as integrated resources comprehensive utilisation services for new energy vehicles and retired electric-vehicle batteries. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (《新能源汽车废旧动力电池综合利用行业规范条件》) in Shenzhen. In addition, Shenshan Qiantai has strong expertise in cascade battery utilisation, recycling and disposal, it has 11 technical patents and 4 modern production lines, and it is a state-level high-tech enterprise. Since 2021, Shenshan Qiantai has been actively developing the industrial market, and has established good cooperative relationships with upstream and downstream enterprises, and car hailing service providers. It has signed contracts for the purchase of upstream retired electric bikes and batteries, as well as the sale of echelon battery cells and products, and built a resource network for retired battery cells, etc., which has been preliminarily successful. In the automobile scrapping business, it has won the bid for the scrapping and disposal of recycled vehicles in Shenzhen. The annual operating revenue of Shenshan Qiantai nearly doubled YOY. During the year, Shenshan Qiantai also cooperated with financial leasing company to established strategic cooperative relations with some automobile service companies in the fields of vehicles and battery replacement, etc. through the form of financial leasing and guaranteed resource disposal. Shenshan Qiantai is located in Shenshan Special Cooperation Zone, the only region in which Shenzhen can promote the development of circular economy. For the next step, Shenshan Qiantai will make full use of its advantageous in the location and the whitelist qualification to coordinate upstream and downstream enterprises in a regional close loop of the industry chain, and expand its business in the Guangdong-Hong Kong-Macao Greater Bay Area and other provinces and cities to promote the development of recovery and solid waste treatment business in the new energy vehicle aftermarket.

2. Clean Energy

As China works towards the goal of reaching "carbon peak" and "carbon neutrality", China implements a series of industrial policies and development plans to promote the clean energy sector, and the wind power and photovoltaic power industry will enter a new phase of sound and steady development in the long run. The Group will grasp opportunities to establish a characteristic "integrated" clean energy system, and strive to become a Shenzhen-based force in China's "carbon peaking" and "carbon neutrality".

As at the end of the Reporting Period, the cumulative installed capacity of the wind power projects invested and operated by the Group amounted to 648MW, including Baotou Nanfeng Project with five wind farms (247.5MW), Xinjiang Mulei Project with three wind farms (299MW), Yongcheng Zhuneng Project with two distributed wind farms (32MW) and Zhongwei Gantang Project (49.5MW). In addition, the Group holds 20% equity interests in Huai'an Zhongheng Wind Power Project (99.4MW). These wind farms are completed projects that enjoy policy subsidies and commenced on-grid power generation. The local wind resources are abundant with promising power consumption. During the Reporting Period, the Group continued to enhance the operation and management of wind farms, tap their production potential and market opportunity and make every effort to increase the operating results. The major operating data of wind power projects of the Group in 2022 are as follows:

Project	Wind Power		On-grid power supply (MWh) ⁽¹⁾	Wind Power Project Revenue (Unit: RMB'000) ⁽¹⁾
	Proportion of the Group's interest	Proportion of revenue consolidation	Jan-Dec 2022	Jan-Dec 2022
Baotou Nanfeng	100%	100%	747,973.91	254,203.43
Xinjiang Mulei	100%	100%	734,712.00	344,505.91
Yongcheng Zhuneng	100%	100%	79,479.42	42,201.46
Zhongwei Gantang	100%	100%	104,978.47	50,722.28
Huai'an Zhongheng	20%	-	216,763.80	106,080.30

Notes:

- (1) On-grid power supply is accounted for in accordance with the settlement cycle of the power grid, and the operating income included the electricity price subsidy income calculated based on on-grid power supply.

In today's "grid parity" era, high-capacity large wind turbines are more suited to the need of wind power enterprises for cost reduction and efficiency improvement. In the new cycle, the wind turbine manufacturing industry is undergoing fast upgrading and fierce market completion. Nanjing Wind Power's existing medium and small wind turbines can hardly meet the market need for wind turbine size growth, and its market development was unsatisfactory during the Reporting Period. During the year, Nanjing Wind Power pushed hard the construction of projects at hand and the implementation of reserved projects, including equipment supply for the Xuchang 49.5MW Wind Power Project, and post-operation and maintenance services for the Huai'an Zhongheng, Zhongwei Gantang and Yongcheng Zhuneng. However, the implementation of reserved orders was not as expected due to restrictions in partner project approval or construction conditions. In addition, affected by the repeated local epidemic outbreaks, and the lagging progress of projects under construction, Nanjing Wind Power underperformed in 2022. The Company will intensify the integration of internal management of Nanjing Wind Power, promote the contracting and implementation of reserve projects, and strengthen the collaboration between New Energy Company and Nanjing Wind Power, drive the sales of wind turbines by promoting the cooperation advantage of integrated clean energy and actively expand the post-operation and maintenance services business to enhance its market competitiveness.

Management Discussion and Analysis

New Energy Company and SPIC Fujian jointly established Fenghe Energy on a 50%:50% shareholding basis in 2021 and acquired 51% equity interests in Nanjing AVIS via Fenghe Energy. This transaction has completed in February 2022. For details, please refer to the Company's announcement dated 29 December 2021. Nanjing AVIS is a leading enterprise engaged in operation and maintenance services of gearbox equipment in the PRC, and has a larger market share in the gearbox maintenance market. During the Reporting Period, Nanjing AVIS signed sales orders in an amount of approximately RMB438 million, mainly covering spare unit sale, repair of returned units, spare parts sale and maintenance services.

3. *Water Environmental Remediation and Others*

Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental investment enterprise, with holding subsidiaries such as Chongqing Water (stock code: 601158) and Sanfeng Environment (stock code: 601827) which are listed on the domestic main board, its major businesses segments include water supply and sewage treatment, waste incineration power generation and environmental remediation, etc. For the main business and operations of Chongqing Water and Sanfeng Environment, please refer to their annual reports 2022.

The Group holds 11.25% of the equity interests in Water Planning Company. Water Planning Company has been listed and traded on the ChiNext Market of the Shenzhen Stock Exchange in August 2021 (stock code: 301038). For information of the business development of Water Planning Company, please refer to its Annual Report 2022.

For details of the profits of Bioland, Nanjing Wind Power and wind power projects, and projects such as Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and notes V47 and V54 to the Financial Statements in this report.

(IV) **Entrusted Management and the Development of Other Infrastructure**

Relying on the expertise and experience accumulated in the relevant areas throughout these years, the Group has continually launched or participated in the construction and operation and maintenance management business of highway and other infrastructure projects (also known as entrusted construction business and entrusted management business). In addition, the Group has also attempted to use its own financial resources and financing capability to participate in the construction and development of local infrastructure and development of land along highways to obtain reasonable returns.

1. *Entrusted Construction Business*

During the Reporting Period, the entrusted construction projects of the Group include Outer Ring Project in Shenzhen, Cargo Organisation Adjustment Project, Shenshan Environmental Park Project, Longli River Bridge Project in Longli County, Guizhou Province (formerly known as Duohua Bridge), Bimeng Project, etc. During the Reporting Period, the Group actively promoted construction progress of projects under construction, and strengthened its safety and quality management to supervise the collection of construction funds and income of various entrusted construction projects.

For the progress of the Outer Ring Project during the Reporting Period, please refer to "Business Development" above in this section. The main part of the Paibang toll station in the second batch of the cargo organisation adjustment project was completed and opened in January 2022. The Shenshan Environmental Park Project has carried out the construction of supporting municipal road works in the park, as well as the public supporting pilot projects in the park, the site selection and planning and design of waste transfer stations, and has completed the physical shape progress about 7%. The Longli River Bridge has been fully connected, bridge tower painting and auxiliary works are underway, with physical shape progress of approximately 95%. The main structures of the Bimeng resettlement community have been completed, and the interior and exterior decoration and furnishing, and landscaping works are underway, with physical shape progress of approximately 91%.

2. *Entrusted Management Business*

The Group undertook the comprehensive management and maintenance project of the Four Expressways from 11 June 2021 to 10 June 2022. In May 2022, the Operation Company was rated by Shenzhen Transportation Bureau a 2021 AA Credit Rating Routine Maintenance Enterprise among enterprises engaged in maintenance works. In June 2022, the Group won the bid and renewed the comprehensive management and maintenance project for the Four Expressways with a contract period of three years and an aggregate contract value of approximately RMB290 million. During the Reporting Period, the Group also undertook the projects of Baguang and Wutong toll stations, and Shahe interim card access station, which were entrusted by municipal and district industry authorities, where the operation management of the Baguang toll station won an "Excellence" rating in the 2021 annual evaluation by the Shenzhen Transportation Bureau.

Besides, the Engineering Development Company controlled by the Group undertook the municipal road maintenance business in the whole of Pingshan District, and some streets in Guangming and Baoan Districts through bidding in 2021, with a total contract amount of approximately RMB273 million, and signed contracts for 11 road repair, landscaping and other market service projects in 2022, with a total amount of over RMB15 million.

By undertaking the maintenance business, the Group has not only increased its income sources, but also developed the capability to provide highway management and maintenance services to the public, laying a solid foundation for the Group's further market development.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the contents in "Financial Analysis" below and the relevant contents in Note V47 to the Financial Statements in this report.

3. *Development and Management of Land Projects*

Relying on relevant management experience and resources, the Group has, since 2012, tried to integrate comprehensive land development linked with the main business of expressways, urban renewal business arising from land planning adjustment along expressways and other business types, while paying close attention to and seizing the opportunities for cooperation with advantageous areas and existing business-related areas as a beneficial supplement to highway project investment and the Group's businesses in order to activate land assets, improve the comprehensive utilisation value of assets, and provide new support for the sustainable development of the expressway business.

Management Discussion and Analysis

(1) *Guilong Regional Development Project*

The model of “construction – transfer” and ancillary land development was adopted for the Guilong Project, which enabled the Group to accumulate business and management experience in respect of the exploration in the area of Guilong and development of appropriate business models. Following the Guilong Project, the Group has contracted for the construction of the Longli River Bridge Project and Bimeng Project in collaboration with the Longli County Government and its platform company successively.

At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of the Longli Project with an area of approximately 3,038 mu (approximately 2,030,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB960 million, and approximately 269 mu of Longli River Bridge Project land with a transaction amount of approximately RMB150 million (deed tax included). By the end of the Reporting Period, about 1,610 mu of the land in Guilong Project have been transferred, while 1,075 mu of the land is under secondary development, and the remaining land is still under planning. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

The project that Guishen Company is developing is named Leisure Villa (悠山美墅). The houses launched for Leisure Villa Phase I and Group A of Phase II have been fully delivered for use, and payments have been received. During the Reporting Period, the completed commercial supporting properties of Group B of Phase II and the residential properties of Group C of Phase II are on sale. The residential properties of Group A of Phase III and the low-rise apartment houses in Group C are on sale, and the commercial supporting properties of Group B of Phase III are under construction. In response to the regulation policies on the real estate industry, Guishen Company, with the core value proposition of “high quality villa living area”, has adopted multi-pronged marketing strategies, including billboards, advertisements in media and themed activities, with a view to actively promoting the sale of commercial and residential properties.

(2) *Meilin Checkpoint Renewal Project*

United Land, in which the Company holds equity interests, principally engages in the investment, development and operation of the Meilin Checkpoint Urban Renewal Project. At present, Vanke and the Company hold 65.7% and 34.3% equity interests in United Land, respectively. In view of the development progress of the Meilin Checkpoint Renewal Project and after fully considering the follow-up funding needs of the project, in order to recover the investment as soon as possible and to improve the overall fund utilisation rate, the shareholders of both parties have agreed to decrease the capital by RMB3.3 billion in proportion to their equity interests in United Land after transferring the balance of the booked capital reserve of approximately RMB2.686 billion into paid-in capital, where the Company will decrease capital by approximately RMB1.1319 billion, and the capital decrease was completed in August 2022. For details, please refer to the Company's announcement dated 22 June 2022.

The Meilin Checkpoint Renewal Project is developed in three phases. Residential units of Phase I Hefengxuan, Phase II Heyaxuan and Phase III Hesongxuan have all been sold. The project also includes a complex building of office, commercial and business apartments with an area of approximately 190,000 square meters. As at the end of the Reporting Period, 1,081 out of over 2,700 business apartments have been contracted for sale. The office and commercial apartments are not officially for sale.

(3) *Xintang Project*

Before the Company acquired Bay Area Development, Bay Area Development had been actively exploring the business of developing land along toll highways. Based on the preliminary study of Bay Area Development in 2019, about 10 plots along GS Expressway in which it invested are suitable for intensive use for transport reconstruction to release land for integrated development and utilisation. In October 2019, Bay Area Development signed an agreement with the partnering shareholder Guangdong Highway Construction Co., Ltd. For the development of land along GS Expressway, striving to realising the integrated development and value release of existing land along GS Expressway together. It is agreed that Bay Area Development holds 37.5% interests in land development in Guangzhou and 57.5% in land development in Shenzhen, and the interests in land development in Dongguan will be determined by the dominating party.

The Xintang Project is the first land development project in which Bay Area Development participates, and aims to comprehensively develop a piece of traffic land of approximately 196,000 square metres in Xintang Town, Zengcheng District, Guangzhou, with a planned capacity building area of approximately 600,000 square metres. Xintang JV is the project company of the Xintang Project, and Bay Area Development currently holds 15% equity interests in Xintang JV indirectly. The residence and ancillary facility works of the Xintang Project will be constructed in three phases. As at the end of the Reporting Period, Phase I had been completed by approximately 85% in physical shape, and Phase II was at the stage of main structure construction. For details of the Xintang Project, please refer to the announcement of the Company dated 10 August 2021, and the annual report 2022 of Bay Area Development.

4. *Development and Management of Other Infrastructure*

Being the implementation department wholly-owned by the Group, the Investment Company is responsible for exploring the wellness elderly care industry during the strategic period under the "14th Five Year" Plan. The Investment Company has established a wholly-owned subsidiary, namely Gaoleyi, to serve as the industry platform for exploring the smart elderly care sector.

In 2021, the consortium led by the Investment Company successfully won the bid for three elderly care projects in Guangming District, Shenzhen. The Guangming Wellness Project comprises the Integrated Service Center PPP Pilot Project (光明新村社區綜合服務中心PPP試點項目) and the Fenghuang Jiulongtai Community Integrated Service Center PPP Pilot Project (鳳凰玖龍台社區綜合服務中心PPP試點項目) (collectively referred to as the "Guangming Two Communities Projects"), as well as the Guangming District Social Welfare Home PPP Project (光明區社會福利院PPP項目). The Guangming Wellness Project has a cooperative concession term of 20.5 years (including the construction period of 0.5 year). Amongst which the Guangming Two Communities Projects are positioned as community embedded elderly care service complexes targeting the elderly and children aged 0 to 3 who required assisted living. Other customer needs within the community are also addressed. Feasibility gap subsidies are available for each year during the cooperation period. The Guangming District Social Welfare Home PPP Project is positioned to provide high-quality elderly care services. It is planned to offer over 370 beds and will be developed into a star-rated elderly care institution which integrates medical care and quality service. In July 2022, the Guangming Two Communities Projects were put into operation officially, offering community canteen, child care, elder activities, and other convenient services; the Guangming District Social Welfare Home PPP Project broke ground in May 2022, had been completed by approximately 92% in physical shape as at the end of the Reporting Period, and is expected to enter the trial operation stage in early 2023.

One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) which was held as to 60% by the Investment Company principally engages in the long-term rental apartment business in Fuyong and Songgang. The occupancy rate of the Songgang Project was 47%, while the occupancy rate of the Fuyong Project was 86% as at the end of the Reporting Period.

Management Discussion and Analysis

(V) Industrial-Financial Integration

The Company holds approximately 3.44% equity interests in Bank of Guizhou, which was listed on the main board of the Hong Kong Stock Exchange (stock code 06199.HK). For the business development of Bank of Guizhou, please refer to its Annual Report 2022.

During the Reporting Period, the former shareholder of Financial Leasing Company, Shenzhen Jianronghe Investment Co., Ltd. ("Jianronghe Investment"), requested the withdrawal of shares for its own reason. Upon the approval of the executive Board, Financial Leasing Company decreased the capital of Jianronghe Investment. The change of relevant industrial and commercial registration was completed on 24 May 2022. The Group thus holds directly and indirectly 100% equity interests in Financial Leasing Company, of which, the registered capital is changed from RMB1 billion to RMB902.5 million. The operation of Financial Leasing Company helps to provide financial leasing services to satisfy the business need in the main businesses and the upstream and downstream of the industry chain of the Group. It is an important way for the Group to achieve "industrial-financial integration" and its business synergy strategy, which will help to expand the core businesses of the Group. During the Reporting Period, Financial Leasing Company has been performing its function in providing financial leasing services for wind power generation equipment. It has actively developed financial leasing business in transportation and logistics, and contracted new financial leasing projects in the amount of RMB459 million. As at the end of the Reporting Period, Financial Leasing Company has contracted financial leasing projects in the amount of RMB1.772 billion, and has invested approximately RMB1.375 billion therein.

The Company holds 45% equity interests in Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) (佛山市順德區晟創深高速環科業並購投資合夥企業(有限合夥)) ("Shengchuang Fund"). As at the end of the Reporting Period, the total paid-in size of the fund is RMB300 million, of which the Company's paid-in capital is RMB135 million. Shengchuang Fund is managed by Guangdong Shengchuang Investment Management Co., Ltd. (廣東晟創投資管理有限公司). The fund mainly invests in four types of operational projects, namely comprising treatment of industrial hazardous waste, treatment of solid waste, treatment of sewage and the new energy of wind power. As at the end of Reporting Period, Shengchuang Fund has completed investments in 2 projects.

The Company holds approximately 7.48% interest in Shenzhen State-owned Assets Collaborative Development Private Fund Partnership (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)) ("State-owned Assets Collaborative Development Fund"). The total size of the fund is RMB4.01 billion, of which the Company's contribution is RMB300 million. State-owned Assets Collaborative Development Fund is managed by Shenzhen Kunpeng Zhanyi Equity Investment Management Co., Ltd. (深圳市鯤鵬展翼股權投資管理有限公司). The focus of State-owned Assets Collaborative Development Fund comprises public utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries. As at the end of the Reporting Period, State-owned Assets Collaborative Development Fund has invested in 2 projects.

(VI) Other Businesses

As at the end of the Reporting Period, the Company holds 22% equity interests in Yunji Intelligent (formerly known as “Consulting Company”). Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, testing and inspection, as well as maintenance consulting, etc., and with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering projects.

In March 2022, the Group and Yunji Intelligent established Digital Technology Company at an equity ratio of 51%: 49%. Digital Technology Company mainly engages in the information and digital businesses of transportation infrastructure, environmental protection and clean energy. During the Reporting Period, this company has started four internal information technology system projects and one external market project.

As at the end of the Reporting Period, the Group holds directly and indirectly 10.2% equity interests in Guangdong UETC in aggregate. Guangdong UETC is principally engaged in the electronic clearing business for the toll highways in Guangdong Province, including investment, management and provision of services of the electronic toll and clearing systems, and sales of related products.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scale or investment model, yet the contributions from these businesses only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the content in notes \13, \14, \47, \54 and \55 to the Financial Statements in this report.

IV. Analysis of Core Competitiveness During the Reporting Period

Major toll highway projects operated and invested by the Group possess outstanding location advantages and maintain good conditions of assets. Over the years, the Group has been dedicated to the sector of transport infrastructure and built good reputation in the industry. With the efficient and innovative management team and employee team established, it has accumulated extensive experience on the investments, construction, operation and management of large-scale infrastructures. At current stage, the Group has confirmed its strategic direction of development of dual core businesses in toll highway operation and general environmental protection. Meanwhile, it has been expanding its business in various business segments such as infrastructure construction, project development and management as well as financial service, related to its core businesses. By giving full play to its professional management experience and innovation capability and leveraging its good financing capacity, the Group will gradually realise the upgrading and transformation of the industry and the synergistic development of its two core businesses, thus improving its competitive advantages continually.

Management Discussion and Analysis

State-owned platform advantage of infrastructures in the Greater Bay Area: Located at Shenzhen, the Company is a platform for the investment, construction, management and maintenance of highway and general environmental protection infrastructures under Shenzhen SASAC. The majority of the highway projects and certain environmental protection projects invested and operated by the Company are located in Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, which equips the Company with the geographic advantage and synergistic advantage as a state-owned platform. The Company actively seized the major strategic opportunities arising from the development of "two regions", namely the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen, as the Pioneering Demonstration Zone for Socialism with Chinese Characteristics as well as the "Double-Hundred Action" for state-owned enterprise reform. By focusing on the new planning of innovative urban construction and integrated infrastructure services in the region, leveraging the advantages as a state-owned platform to accommodate government needs and thus actively acquiring the opportunities for participating in quality highway and environmental infrastructure projects in the region, further improve the space for the development of the Group's operation. Not only does the development of the "two-region" creates new project opportunities, it also continues to boost traffic and transportation demand, which gives impetus to the operational performance of the Company's existing highway and environmental projects. In addition, the Group will also actively participate in exploring the regional development business along the Greater Bay Area highway projects in combination with the development plans of urban clusters in the region. The Group plays a synergistic role to unleash the value of the land sites for development along the regions and increase the comprehensive profitability.

Comprehensive integrated management capability: Since its establishment, the Company has been dedicated to the transport infrastructure industry. Through years of investment, construction and operation management of large-scale infrastructure projects, the Company has accumulated extensive experience in the investment, construction and operation management of heavy assets and franchise related business, established a comprehensive investment decision system, and a construction and operation management system, and developed the comprehensive and integrated management capability covering a wide range from investment to operation. During the Reporting Period, based on this core competence, the Company, on one hand, was entrusted by the government to carry out the construction and operation and maintenance management of a number of public projects, further providing its technologies and experience in the investment, construction and maintenance of highways or expressways, thereby consolidating the Company's position as the core platform for the investment, construction and maintenance of state-owned highways or expressways in Shenzhen. On the other hand, upon entering the recovery and solid waste management and clean energy business sector with similar operation and management models, the Company continued to give play to its comprehensive and integrated management capability in heavy assets business, and initially accomplished the layout plan of the industrial chain in related industries, creating upstream and downstream synergies. In the future, the Company will further ramp up its professional, comprehensive and integrated management capability in the business sector of general environmental protection to enhance its market competitiveness.

Innovation capability: The Company has been focusing on reforms and innovation. In terms of business development strategy, through carefully studying the market conditions and industry development trends and aligning with its own characteristics, the Company took an innovative move to adopt the general-environmental protection industry as its second largest core business upon its transformation and upgrading, and continued to further gain the business exposure during the Reporting Period, laying the foundation for enhancing the core business and sustainable corporate development of the Group. In terms of the transport infrastructure industry, along with the changes in the industrial environment and the needs of related parties, the Group flexibly adopts practical innovative business models such as the acquisition of toll highway services by the government, and joint investment and operation in new and expansion projects through PPP model, and has achieved a cooperation mode that not only satisfies the needs of the government in transport planning and the socioeconomic development, but also offers reasonable business returns for enterprises, hence fulfilling the development and breakthrough of the Group's core business of toll highway. Meanwhile, the Company has been focusing on the innovation in the professional areas. The Company cooperates with cooperative suppliers through innovative design and management concepts, researches and applies new technologies, new materials, new processes, and new models, overcame a large number of technical difficulties and has obtained various scientific research results in the industry. Besides, aligning with the trend of rapid development in digital information technology at current stage, the Group actively promoted the research and application of intelligent transport/environmental protection. Actively utilising its innovation capability in various sectors, the Company strives for innovation and transformation to continuously enhance its core competence in the operation and development.

Good financing platform: Listed in both Shanghai and Hong Kong, the Company has a good financing platform for the capital markets in both places. During the Reporting Period, the Company successfully acquired Bay Area Development as an additional overseas financing platform. Meanwhile, the Company has been maintaining high domestic and overseas credit ratings and good cooperative relationship with banks and other financial institutions in the long term, resulting in more easy access to financing facilities, which can effectively raise enterprise development funds and control financial costs. The Company's financial strategies as well as capital management and financing arrangements are described in the "Financial Analysis" below.

Management Discussion and Analysis

V. Financial Analysis

In 2022, the Group recorded net profits attributable to shareholders of the listed company (“net profits”) of RMB2,014,112,000 (2021 (restated): RMB2,613,119,000), representing a YOY decrease of 22.92%. Such decrease was mainly due to the decrease in toll revenue of toll highways operated and invested by the Group due to the decline in willingness to travel in the short term and the opening of Guanglian Expressway which diverts the traffic volume, as well as the increased exchange losses of foreign currency liabilities resulting from RMB depreciation, etc.

(I) Analysis of Main Business

1. Analysis of Changes in Related Items in Income Statement and Statement of Cash Flows

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year (restated)	Change (%)
Revenue	9,372,583	10,889,581	-13.93
Cost of services	6,353,596	7,105,227	-10.58
Selling expenses	35,575	59,700	-40.41
General and administrative expenses	443,719	571,854	-22.41
Financial expenses	1,386,671	909,119	52.53
Research and development expenses	46,477	60,572	-23.27
Income tax expenses	531,670	551,149	-3.53
Net cash flows from operating activities	3,369,490	3,757,316	-10.32
Net cash flows from investing activities	-3,439,060	-3,269,911	N/A
Net cash flows from financing activities	-2,337,202	1,160,740	N/A

- ① Reasons for change in revenue: mainly due to the decreased toll revenue from ancillary toll highways due to the decline in willingness to travel in the short term, lower revenue resulting from road traffic volume diversion, and the lower income of construction services under concession arrangements due to project progress.
- ② Reasons for change in cost of services: mainly due to the decreased depreciation and amortisation cost from lower traffic volume on ancillary toll highways, and the lower income of construction services under concession arrangements due to project progress.
- ③ Reasons for change in selling expenses: mainly because of the cut of selling staff of the environmental protection sector in accordance with business needs and reduced expenditure of the Guilong Development Project on sales promotion.
- ④ Reasons for change in general and administrative expenses: mainly because of the reversal of part of the unpaid bonuses provided for in past years.
- ⑤ Reasons for change in financial expenses: mainly due to the rise in the borrowing scale and the increased exchange losses of foreign currency liabilities of the Group resulting from RMB depreciation.
- ⑥ Reasons for change in research and development expenses: mainly because of the decrease in research and development investment in the environmental protection industry due to the adjustment of the Company's business model.
- ⑦ Reasons for change in income tax expenses: mainly due to the decrease in taxable income.
- ⑧ Descriptions of the reasons for changes in net cash flows from operating activities: mainly due to the decrease in toll revenue and the resulting decrease in cash flows from operating activities.
- ⑨ Descriptions of the reasons for changes in net cash flows from investing activities: basically flat year-on-year.
- ⑩ Descriptions of the reasons for changes in net cash flows from financing activities: mainly because of the YOY decrease in investment expenditures and capital needs, resulting in a YOY decrease in the net inflow of borrowings.

For detailed reasons for the change in the items above, please refer to the analysis below.

Management Discussion and Analysis

1. Analysis of Revenue and Cost

During the Reporting Period, the Group recorded revenue of RMB9,372,583,000 (2021 (restated): RMB10,889,581,000), representing a YOY decrease of 13.93%, mainly due to the decrease in the toll revenue from ancillary toll highways due to the decline in willingness to travel in the short term and the diversion from the opening of Guanglian Expressway, as well as the decrease in revenue from construction services under concession arrangements due to the progress of the project. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Revenue item	Amount for the current period	Proportion (%)	Amount for the corresponding period of last year (restated)	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	4,978,341	53.12	5,892,736	54.11	-15.52	①
Revenue from main business – clean energy	807,946	8.62	712,991	6.55	13.32	②
Revenue from main business – solid waste treatment – kitchen waste treatment	554,356	5.91	864,555	7.94	-35.88	③
Revenue from main business – solid waste treatment – vehicle dismantling and comprehensive battery utilisation	392,030	4.18	119,990	1.10	226.72	④
Revenue from main business – other environmental protection businesses	2,888	0.03	113,618	1.04	-97.46	⑤
Revenue from other businesses – entrusted management services	887,796	9.47	1,033,629	9.49	-14.11	⑥
Revenue from other businesses – real estate development	164,812	1.76	302,722	2.78	-45.56	⑦
Revenue from other businesses – revenue from construction services under concession arrangements	1,256,227	13.40	1,540,000	14.14	-18.43	⑧
Revenue from other businesses – other businesses	328,187	3.50	309,340	2.85	6.09	⑨
Total revenue	9,372,583	100.00	10,889,581	100.00	-13.93	

Description:

- ① The Group recorded a YOY decrease of 15.52% in toll revenue, mainly due to the decrease in traffic volume and toll revenue from the Group's ancillary toll highways due to the decline in willingness to travel in the short term and the diversion of traffic from the opening of Guanglian Expressway.

Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business of the Company during the Reporting Period" above. The breakdown of revenue by specific items is set out in "Breakdown of Main Business by Industry, Product and Region" below.

- ② The revenue from clean energy recorded a YOY increase of 13.32%, mainly because of the contribution of revenue from the inclusion of wind power projects such as Zhongwei Gantang and Yongcheng Zhuneng in the scope of consolidation of the Group in September 2021 and December 2021, respectively.

- ③ The revenue from kitchen waste treatment, which includes the revenue from project construction, operation, and equipment sales, decreased by 35.88% YOY, mainly due to the decrease in the construction revenue related to the kitchen waste treatment projects of Bioland.
- ④ The revenue from vehicle dismantling and comprehensive battery utilisation recorded a YOY increase of 226.72%, mainly due to the business growth of Shenshan Qiantai.
- ⑤ The revenue from other environmental protection businesses recorded a YOY decrease of 97.46%, mainly due to the decline in operation, maintenance and management business of wind farm projects.
- ⑥ The revenue from entrusted construction and management recorded a YOY decrease of 14.11%, mainly due to the YOY decrease in the quantities of the Longli River Bridge (formerly known as “Duohua Bridge”) and Bimeng Project, resulting in the decrease in entrusted construction revenue recognised by progress.
- ⑦ The revenue from real estate development recorded a YOY decrease of 45.56%, mainly due to the delivery of fewer houses of the Guilong Development Project this year.
- ⑧ During the Reporting Period, the Group recognised revenue from construction services under concession arrangement for the projects, such as kitchen waste treatment, Coastal Phase II, Jihe Expressway Reconstruction and Expansion, and Guangming Environmental Park, pursuant to *Interpretation of Accounting Standards for Business Enterprises (No. 14)*. The quantity of the projects implemented this year was lower than that of last year, resulting in the YOY decrease in the construction service revenue recognised on a progress basis.
- ⑨ During the Reporting Period, the revenue from other businesses recorded a YOY increase of 6.09%, mainly due to the business growth of Financial Leasing Company.

Management Discussion and Analysis

(1) Breakdown of Main Business by Industry, Product and Region

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	4,978,341	2,800,083	43.75	-15.52	-6.71	Decrease by 5.31 pct. pt
Solid waste treatment	946,386	906,181	4.25	-3.88	-3.11	Decrease by 0.76 pct. pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Outer Ring Expressway	954,681	448,603	53.01	3.65	10.84	Decrease by 3.05 pct. pt
Qinglian Expressway	615,423	424,003	31.10	-29.73	-14.98	Decrease by 11.95pct. pt
Jihe East	632,556	293,012	53.68	-13.88	-8.57	Decrease by 2.69 pct. pt
Jihe West	468,659	124,357	73.47	-15.90	-7.05	Decrease by 2.52 pct. pt
Shuiguan Expressway	571,444	511,807	10.44	-13.44	-7.19	Decrease by 6.03 pct. pt
Coastal Expressway	480,979	290,475	39.61	-18.64	-11.84	Decrease by 4.66 pct. pt
Yichang Expressway	386,801	210,422	45.60	-17.05	-12.93	Decrease by 2.57 pct. pt
Wuhuang Expressway	362,269	257,092	29.03	-24.31	7.98	Decrease by 21.23 pct. pt
Wind power generation	691,633	269,389	61.05	19.15	16.49	Increase by 0.89 pct. pt
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	6,258,010.79	4,419,366.17	29.38	-4.77	-0.67	Decrease by 2.91 pct. pt

Note: The breakdown of main businesses by industry, product and region lists the industries, products and regions of main businesses that account for more than 10% of the Company's revenue or operating profit and the situation of some toll road sections.

Description of Breakdown of Main Business by Industry, Product and Region:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 43.75%, representing a YOY decrease of 5.31 percentage points, mainly due to the decrease in toll revenue caused by the decline in willingness to travel in the short term, while normal expenditures were still required for cost of services, resulting in a decrease in gross profit margin during the Reporting Period.

(2) *Analysis of Cost of Services*

During the Reporting Period, the cost of services of the Group amounted to RMB6,353,596,000 (2021 (restated): RMB7,105,227,000), representing a YOY decrease of 10.58%, mainly due to the decrease in the depreciation and amortisation cost of ancillary toll highways in line with the decrease in traffic volume caused by the decline in willingness to travel in the short term, as well as the decrease in costs of entrusted management services and construction services under concession arrangements caused by the decrease in the construction quantities in the year.

Unit: '000 Currency: RMB

Industry	Cost item	Breakdown by industry					Description
		Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year (restated)	Amount for the corresponding period of last year as a percentage of total costs (%)	Change (%)	
Cost of main business – toll highways	Employee expenses	463,898	7.30	445,891	6.28	4.04	①
	Road maintenance expenses	296,921	4.67	291,513	4.10	1.86	
	Depreciation and amortisation	1,752,790	27.59	1,984,318	27.93	-11.67	②
	Other business costs	286,474	4.51	279,906	3.94	2.35	
	Subtotal	2,800,083	44.07	3,001,628	42.25	-6.71	
Cost of main business – clean energy		377,235	5.94	343,365	4.83	9.86	③
Cost of main business – solid waste treatment – kitchen waste treatment		533,766	8.40	800,580	11.27	-33.33	④
Cost of main business – solid waste treatment – vehicle dismantling and comprehensive battery utilisation		372,415	5.86	134,695	1.90	176.49	⑤
Cost of main business – other environmental protection businesses		5,530	0.09	71,285	1.00	-92.24	⑥
Cost of other businesses – entrusted construction and management		690,320	10.87	820,234	11.54	-15.84	⑦
Cost of other business – real estate development		119,695	1.88	142,368	2.00	-15.93	⑧
Other business costs – cost of construction services under concession arrangements		1,256,227	19.77	1,540,000	21.67	-18.43	⑨
Other business costs – other businesses		198,325	3.12	251,072	3.53	-21.01	⑩
Total cost of services		6,353,596	100.00	7,105,227	100.00	-10.58	

Management Discussion and Analysis

Other Information of Cost Analysis:

- ① Mainly due to the additional employee expenses from the opening of Outer Ring Phase II during the Reporting Period.
- ② Mainly due to the decrease in the amortisation of concession intangible assets from lower traffic volume.
- ③ Mainly due to the YOY increase in costs of such newly acquired wind power projects such as Zhongwei Gantang and Yongcheng Zhuneng.
- ④ The costs of kitchen waste treatment, which includes the costs of project construction, operation, and equipment sales, decreased by 33.33% YOY, mainly due to the YOY decrease in the construction service costs related to the kitchen waste treatment of Bioland.
- ⑤ Mainly due to the business growth of Shenshan Qiantai.
- ⑥ Mainly due to the decrease in business costs of wind farm project operation, maintenance and management
- ⑦ Mainly due to the YOY decrease in the construction quantities of the projects in this year, such as Longli River Bridge Project, Bimeng Project, and Guangming Environmental Park Project.
- ⑧ Mainly due to the decrease in carried-forward real estate development costs of the Guilong Development Project resulting from the YOY decrease in delivered units
- ⑨ During the Reporting Period, the Group recognised the construction service cost under concession arrangements for the projects, such as kitchen waste treatment, Coastal Phase II, Jihe Expressway Reconstruction and Expansion, and Guangming Environmental Park, pursuant to *Interpretation of Accounting Standards for Business Enterprises (No. 14)*. The quantity of the projects implemented this year was lower than that of last year, resulting in the YOY decrease in the construction service costs recognised on a progress basis.
- ⑩ Mainly due to the business decrease in Asphalt Company.

(3) *Major Sales Customers and Major suppliers*

A. Major sales customers of the Company

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB1,298,910,000, accounting for 13.86% of the overall revenue of the Group, of which none was sales from related parties.

B. Major suppliers of the Company

The purchases from the Group's top five suppliers amounted to RMB1,117,890,000, accounting for 23.88% of the total purchase of the Group for the year, of which none was purchased from related parties.

2. **Expenses**

The Group's selling expenses for the Reporting Period amounted to RMB35,575,000 (2021 (restated): RMB59,700,000), representing a YOY decrease of 40.41%, which was mainly due to the cut of some salespersons of Bioland and Nanjing Wind Power in accordance with the business model adjustment, and the reduced expenditure of the Guilong Development Project on sales promotion.

The Group's general and administrative expenses for the Reporting Period amounted to RMB443,719,000 (2021 (restated): RMB571,854,000), representing a YOY decrease of 22.41%, mainly due to the reversal of part of the unpaid bonuses provided for in past years.

Management Discussion and Analysis

The Group's financial expenses for the Reporting Period amounted to RMB1,386,671,000 (2021 (restated): RMB909,119,000), representing a YOY increase of 52.53%, mainly due to exchange losses of foreign currency liabilities resulting from RMB depreciation, and the increase in interest expenses resulting from the rise in the borrowing scale of the Group. During the Reporting Period, the comprehensive borrowing cost was approximately 3.49% (2021 (restated): 3.54%), a slight year-on-year decrease. For details of changes in loan scale, please refer to the content of "Analysis of Assets and Liabilities" below. The specific analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses items	2022	2021(restated)	Change(%)
Interest expenses	1,213,881	1,168,043	3.92
Less: Interest capitalised	28,808	28,082	2.59
Interest income	130,089	179,259	-27.43
Add: Exchange loss	318,162	-66,501	N/A
Others	13,526	14,917	-9.33
Total financial expenses	1,386,671	909,119	52.53

The Group's research and development expenses for the Reporting Period amounted to RMB46,477,000 (2021 (restated): RMB60,572,000), representing a YOY decrease of 23.27%, mainly due to the decrease in the research and development investment of Nanjing Wind Power and Bioland.

During the Reporting Period, the Group's income tax expenses amounted to RMB531,670,000 (2021 (restated): RMB551,149,000), a year-on-year decrease of 3.53%, mainly due to the decrease in taxable income.

3. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB1,533,897,000 (2021 (restated): RMB967,758,000), representing a YOY increase of 58.50%, mainly due to the completion of the capital reduction by United Land in the year, the premium to which the Company was entitled as a result of the unilateral capital increase by other shareholders in previous years was accordingly transferred from capital reserve to investment income, the decrease in the income from the associate/joint venture toll highways invested by the Group affected by the decline in the willingness to travel in the short term, and the investment loss recognised from the expiry and completion of the foreign exchange forward contracts in the same period of the previous year, etc. The detailed analysis is as follows:

Unit: '000 Currency: RMB

Item	2022	2021 (Restated)	Change in amount
1. Investment income attributable to associate/joint venture:			
Associated/joint toll highway enterprises in total	144,549	559,115	-414,567
United Land Company	26,422	65,173	-38,751
Derun Environment	256,033	298,149	-42,116
Others ^{Note}	155,684	130,305	25,379
Subtotal	582,688	1,052,742	-470,054
2. Investment income arising from transfer of equity interests in associates	921,200	25,337	895,863
3. Investment income from other non-current financial assets	28,008	7,709	20,299
4. Gains or losses from delivery of foreign exchange forward contracts	-	-125,940	125,940
5. Others	2,001	7,909	-5,908
Total	1,533,897	967,758	566,139

Note: Others are attributable to the investment income of Yunji Intelligent, Bank of Guizhou, Shengchuang Fund, Guizhou Hengtongli, Huai'an Zhongheng, Fengrunjiu, and Fenghe Energy, etc.

4. Investment in Research and Development

The investment in research and development mainly represents expenses incurred by Nanjing Wind Power for research and development of wind power generation equipment, Bioland for research and development of kitchen waste treatment systems, and Shenshan Qiantai for research and development of green recycling technology for waste batteries, etc.

Breakdown of investment in research and development

Unit: '000 Currency: RMB

Expensed R&D investment for the current period	46,477
Capitalised R&D investment for the current period	2,484
Total R&D investment	48,961
Total R&D investment as a percentage of revenue	0.52
Proportion of capitalised R&D investment (%)	5.07

Management Discussion and Analysis

5. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB3,369,490,000 (2021 (restated): RMB3,757,316,000), representing a YOY decrease of RMB387,826,000, mainly due to the decrease in toll revenue of ancillary toll highways. In addition, the recurring cash return on investments from associates/joint toll highway projects invested by the Company^{Note} during the Reporting Period amounted to RMB747,407,000 (2021 interim (restated): RMB922,516,000), representing a YOY decrease of RMB175,109,000, mainly due to the decrease in the amount of dividends received from GS Expressway during the Reporting Period as compared to the same period of the previous year.

Note: The recurring cash return on investments refers to the cash flow distribution (including profit distribution) from the associates/joint toll highway companies invested by the Company. According to the articles of association of certain associates/joint toll highway companies, those companies will distribute cash to their shareholders if the conditions for cash distribution are satisfied. According to the characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The Company provided the aggregated figures of net cash inflows from operating activities and recurring cash return on investments to help the users of the financial statements understand the performance of recurring cash flow from the Group's operating and investing activities.

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash outflows from investing activities increased by 170 million yuan year-on-year, which was basically the same.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash inflows from financing activities recorded an decrease of approximately RMB3.5 billion, mainly due to the YOY decrease in investment expenditures and capital needs, resulting in a decrease in net inflow of borrowings in the year compared to the same period of the previous year.

6. Amortisation Policies of Concession Intangible Assets for Toll Highways and the Differences of Different Amortisation Methods

The Group's concession intangible assets for toll highways are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using the two amortisation methods based on its share of equity interests was RMB478 million (2021(restated): RMB215 million). The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

(II) Descriptions on major changes in profit arising from non-principal businesses

1. Recognised gain on disposal of assets for capital reduction of United Land

During the Reporting Period, associate United Land in which the Company holds 34.3% equity interests converted approximately RMB2.686 billion balance of the booked capital reserve into paid-in capital, and then reduced the capital by RMB3.3 billion in proportion to the shareholders' shareholdings (including a decrease of RMB2.686 billion in the paid-up capital converted from the capital surplus), where the Company decreased the capital by approximately RMB1.1319 billion. After the completion of the capital decrease, the shareholdings of the shareholders of United Land remained unchanged. On 23 August 2022, United Land completed the procedure for this capital reduction, and the Company realised a corresponding investment income of RMB921 million, which had an impact on the net profit of the Company of approximately RMB691 million after considering the income tax impact.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

As at 31 December 2022, the Group's total assets amounted to RMB69,201,468,000 (31 December 2021 (restated): RMB72,304,935,000), representing a decrease of 4.29% over the end of 2021. As at 31 December 2022, the Group's total outstanding interest-bearing liabilities amounted to RMB33,330,545,000 (31 December 2021 (restated): RMB30,409,335,000), representing an increase of approximately 9.61% over the end of 2021, mainly due to the increased borrowings as a result of the payment for the acquisition of equity interests in SIICHIC, and the increased balance of local and base currency balance converted from foreign currency liabilities due to exchange rate fluctuation. In 2022, the Group's average borrowing scale was RMB32.9 billion (2021 (restated): RMB31.1 billion), representing a YOY increase of approximately 5.79%.

The detailed analysis of assets & liabilities is as follows:

Unit: RMB'000

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount at the end of previous period (restated)	Amount as at the end of last year as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of last year (%)	Description
Transactional financial assets	1,112,244	1.61	564,018	0.78	97.20	(1)
Bills receivable	3,500	0.01	87,388	0.12	-95.99	(2)
Other current assets	257,806	0.37	546,140	0.76	-52.79	(3)
Long-term prepayments	996,880	1.44	1,792,085	2.48	-44.37	(4)
Long-term receivables	2,152,167	3.11	1,116,298	1.54	92.80	(5)
Net value of investment properties	26,069	0.04	38,851	0.05	-32.90	(6)
Construction in progress	225,704	0.33	1,779,733	2.46	-87.32	(7)
Right-of-use assets	75,412	0.11	366,722	0.51	-79.44	(8)
Development expenses	5,501	0.01	25,767	0.04	-78.65	(9)
Short-term borrowings	9,396,229	13.58	4,120,586	5.70	128.03	(10)
Transactional financial liabilities	133,009	0.19	-	-	N/A	(11)
Bills payable	228,670	0.33	87,244	0.12	162.10	(12)
Advances from customers	794	0.00	12,830	0.02	-93.81	(13)
Contract liabilities	30,333	0.04	219,246	0.30	-86.16	(14)
Lease liabilities	47,739	0.07	326,956	0.45	-85.40	(15)
Long-term payables	1,148,281	1.66	4,393,072	6.08	-73.86	(16)
Long-term employee benefits payable	115,716	0.17	187,966	0.26	-38.44	(17)

Descriptions of assets and liabilities:

- (1) Increase in structural deposits this year.
- (2) Bills receivable were cashed upon maturity.

Management Discussion and Analysis

- (3) Receipt of refunds of pending deduct VAT on purchase and reclassification of VAT credit of over one year to other non-current assets.
- (4) Upon completion of the acquisition of equity interests in SIICHIC, the prepayment for the acquisition of equity interests was carried forward to “long-term equity investments”; Financial Leasing Company conducted leasing businesses and the advanced payment for the purchase of leasing objects was carried forward to “long-term receivables” in accordance with the progress of the release of funds.
- (5) Financial Leasing Company conducted leasing businesses, and the advanced payment for the purchase of leasing objects was carried forward to “long-term receivables”, as well as the increase in the electricity subsidy receivable of wind farms.
- (6) Since some leased properties of Shenshan Qiantai were turned into self-use, such “investment properties” were converted into “fixed assets”.
- (7) The newly acquired office building was carried forward to “fixed assets” upon completion of renovation and commissioning.
- (8) Finance leases were returned by Yongcheng Zhuneng and Zhongwei Gantang, and “right-of-use assets” were carried forward to “fixed assets”.
- (9) Development expenses of Nanjing Wind Power was converted into “intangible assets”.
- (10) Increase in short-term bridging loans due to the acquisition of equity interests in SIICHIC and increase in short-term borrowings in light of adequacy of fund in the marketplace.
- (11) Obligation to compensate the difference in the price arose from acquisition of equity interest in SIICHIC.
- (12) Increase in settlement of construction work through bills payable.
- (13) The advances from Shenshan Qiantai were carried forward to revenue.
- (14) The commercial housing of Guilong Development Project was delivered, the corresponding advances were carried forward to revenue.
- (15) Finance leases were repaid by Yongcheng Zhuneng and Zhongwei Gantang and the lease liabilities reduced.
- (16) The capital reduction of United Land was offset against long-term payables.
- (17) Unpaid bonuses provided for in past years were reversed.

2. Overseas Assets

(1) Size of assets

Where: overseas assets RMB684,213,000, accounting for 0.99% of the total assets. Overseas assets mainly consist of part of the H shares of Bank of Guizhou held by Mei Wah Company, a wholly-owned overseas subsidiary of the Company, and the bank deposits of Mei Wah Company and its subsidiaries placed abroad, which account for a small proportion of the Company's total assets.

3. Restriction of main assets as at the end of the Reporting Period

Descriptions of restriction of assets:

(1) As at the end of the Reporting Period, details of the mortgaged or pledged assets of the Company and its subsidiaries are as follows:

Restriction on the assets involved with the balance of secured loans as of the end of the Reporting Period					
Assets	Type	Beneficiary of the security	Scope of security	Balance of secured loans as at the end of the Reporting Period (100 million)	Term
Toll collection rights of Qinglian Expressway	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans with an aggregate amount of RMB2,839 million	26.4	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of syndicated loans in an aggregate amount of HKD350 million	HKD0.61	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	China Development Bank	Principal and interests of fixed asset loans in an aggregate amount of RMB1 billion	0.3	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguang Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	3.49	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable and production equipment, among other assets, of various subsidiaries of Bioland	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB1.114 billion	6.53	Certain periods after the repayment of liabilities
100% equity interests in Qianzhi, Qianhui and Qianxin Company	Pledge	ICBC Shenzhen Futian Sub-branch	Principal and interests of loans for acquisition in an aggregate amount of not more than RMB609 million	1	Until repayment of all liabilities under the loan agreement
Land use right of Shenshan Qiantai	Mortgage	Shanghai Pudong Development Bank Shenzhen Branch	Principal and interests of working capital loans in an aggregate amount of RMB150 million	1.5	Until repayment of all liabilities under the loan agreement
A pledge was provided for accounts receiving arising from the sale of products and the rendering of services by Shenshan Qiantai	Pledge	Bank of China Limited Shenzhen Central District Branch	Principal and interests of fixed asset loans with an aggregate amount of RMB50 million and principal and interests of working capital loans with an aggregate amount of RMB100 million	0.52	Until repayment of all liabilities under the loan agreement
Accounts receivable accruing under franchise rights of Guangming Company and Lisai Company	Pledge	Bank of China Limited Shenzhen Central District Branch	Principal and interests of fixed asset loans with an aggregate amount of RMB820 million	0.50	Until repayment of all liabilities under the loan agreement
Rental receivable under 6 projects, including the Shanxi Nuohui Project of Financial Leasing Company	Pledge	5 banks, including the Bank of China Limited Shenzhen Central District Branch	Principal and interests of working capital loans in an aggregate amount of RMB273 million	2.33	Until repayment of all liabilities under the loan agreement

Management Discussion and Analysis

Restriction on the assets involved with the balance of secured loans as of the end of the Reporting Period					
Assets	Type	Beneficiary of the security	Scope of security	Balance of secured loans as at the end of the Reporting Period (100 million)	Term
Tariff collection rights of the Yongcheng Zhuneng Project	Pledge	Agricultural Bank of China Shenzhen Branch	Principal and interests of fixed asset loans with an aggregate amount of RMB185 million	1.78	Until repayment of all liabilities under the loan agreement
Pledge on tariff collection rights of Mulei Project	Pledge	China Construction Bank Urumqi Branch	Principal and interests of project loans in an amount of RMB1,418 million	14.10	Until repayment of all liabilities under the loan agreement
Tariff collection rights of Lingxiang Project	Pledge	China Merchants Bank Baotou Branch	Principal and interests of project loans of RMB227 million	2.27	Until repayment of all liabilities under the loan agreement
Pledge of 80.27% equity interests in SIICHIC	Pledge	Three banks, including Industrial and Commercial Bank of China, and China Merchants Bank	Principal and interests of fixed asset loans with an aggregate amount of HKD8.3 billion	HKD78.18	Until repayment of all liabilities under the loan agreement

- (2) As of the end of the Reporting Period, details of the restrictions on the capital of the Company and its subsidiaries are as follows:

Type of restricted capital	Amount subject to restrictions
Fund in special deposit account for the entrusted construction and management project	RMB21 million
Consideration for acquisition of equity interests under supervision	RMB212 million
Security deposit	RMB56 million
Fund frozen due to litigations	RMB149 million
Total	RMB439 million

Details of restriction of assets:

- (1) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in Note V61 to the Financial Statements in this report.

4. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, due to the combined impact of the increase in interest-bearing liabilities scale resulting from the increase of debts for the acquisition of SIICHIC, the debt-to-asset ratio, the net borrowings-to-equity ratio of the Group and net borrowings/EBITDA indicator increased to a certain extent as compared with those at the end of the previous year. During the Reporting Period, the Group maintained stable interests expenditure, and suffered from the decrease in revenue from toll highways affected by the decline in willingness to travel in the short term and a certain exchange loss due to the depreciation of RMB, resulting in lower profitability and a YOY decrease in interest coverage ratio and EBITDA-to-interest coverage ratio. Given the Group's stable and robust operating cash flow and its strong capability in financing and capital management, the Board is of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	As at the end of 2022	As at the end of 2021
Debt-to-asset ratio (Total liabilities/Total assets)	60.46%	56.39%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	110.13%	79.13%
Net borrowing/EBITDA ((Total borrowings – cash and cash equivalents)/Earnings before interests, tax, depreciation and amortisation)	5.16	3.69
	2022	2021(restated)
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	3.16	4.05
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/ Interest expenses)	5.12	6.19

5. *Liquidity and Cash Management*

During the Reporting Period, the net current assets of the Group decreased at the end of the period as compared to the end of the previous year because of the increase of short-term bridging loans for the acquisition of SIICHIC. The Group will further enhance project profitability, strengthen the overall fund arrangements for subsidiaries and key projects, replace short-term debts with mid-long term borrowings in due time, continue to optimise the capital structure, and maintain appropriate cash on hand, and sufficient bank credit lines and bond issuance lines to prevent liquidity risks.

Unit: million Currency: RMB

	31 December 2022	31 December 2021(restated)	Change in amount
Net current assets	-13,946	-5,408	-8,538
Cash and cash equivalents	3,197	5,457	-2,260
Banking facilities available	30,462	28,277	2,185
Unused bond registration quota	7,100	7,600	-500

Management Discussion and Analysis

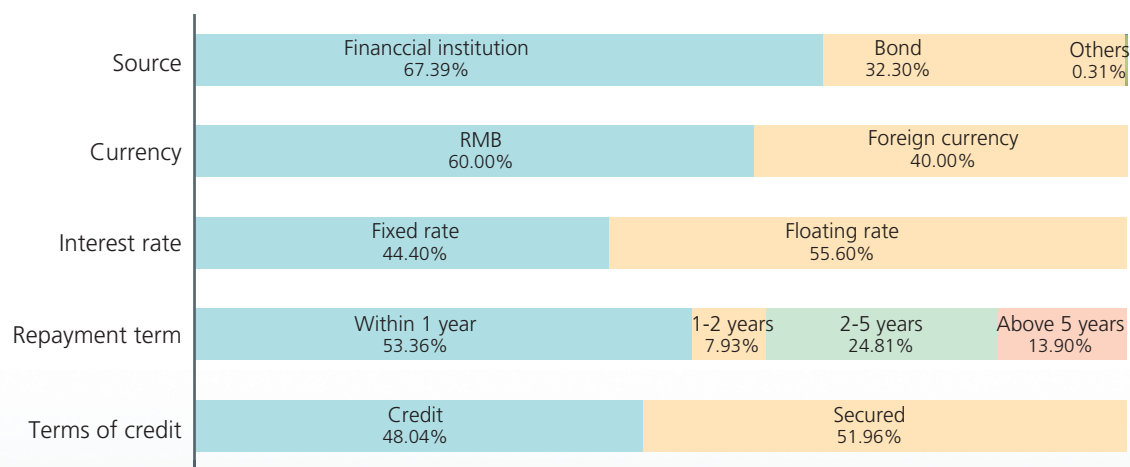
6. Financial Strategies and Financing Arrangements

During the Reporting Period, the liquidity in the capital market maintained at a reasonably sufficient level with a steady decrease in the price of funds. Based on the demands for operating expenses and the development of project investment, the Group used its self-owned funds, bank loans, bond funds, etc. to meet the capital needs such as operating and investment expenditures and debt repayment during the Reporting Period. Leveraging the favourable market opportunities, the Group issued financing bond instruments such as the corporate bonds and ultra-short-term commercial paper (FIP) to debt replace and replenish working capital. Leveraging the opportunity of interest rate decline, the Group also strived for bank loans with better terms through communication in order to further lower financial costs. In view of internal and external liquidity conditions, the Company's operation, financial position and capital expenditure plan, the Company will adjust its financial strategies in a timely manner to optimise the debt structure.

As at the end of the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:

Borrowing Structure (as at 31 Dec 2022)



During the Reporting Period, the Company continued to maintain the highest credit rating and bond rating of AAA for domestic entities, and the existing investment grade ratings for international entities.

As of 31 December 2022, the Group had obtained banking facilities totalling approximately RMB57.157 billion. As at the end of the Reporting Period, unused banking facilities amounted to RMB30.462 billion. The Group's bond quota amounted to RMB8.6 billion and un-utilised bond quota amounted to RMB7.1 billion at the end of the Reporting Period.

Utilisation of Funds Raised

During the Reporting Period, the Company completed the open issuance of phase 1 of the 2022 corporate bonds. The fund raised was RMB1.5 billion. The Company has used RMB1.25 billion for the repayment of mature debts, and RMB250 million for the replenishment of current funds.

7. Contingencies

Details of the Group's contingencies during the Reporting Period are set out in Note XI2 of the Financial Statements in this report.

8. Foreign Exchange Risks

Currently, the Group's main business operations are within the territory of China; except the payment of H share dividends, the Group's operating revenue and main capital expenditures are settled in RMB. For acquiring Bay Area Development, and increasing and undertaking loans of USD300 million and HKD10.198 billion, the Group had undertaken a total of USD600 million and HKD10.26 billion in foreign currency loans at the end of the Reporting Period without make any foreign currency hedging arrangement. During the Reporting Period, the amount entered into financial expenses due to exchange rate fluctuations was RMB318,162,000, and the relevant details are set out in Notes VI52 and VIII1.1.1. to the financial statements of this report.

Management Discussion and Analysis

(IV) Analysis of the Investment

1. Material Equity Investments

During the Reporting Period, the total new equity investment of the Group amounted to approximately RMB7.539 billion (2021: RMB1.675 billion), representing a YOY increase of RMB5.864 billion, mainly due to the equity investment in SIICHIC, Fenghe Energy, Lisai Environmental, and Shenshan Qiantai. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of Investee Company	Major business	The investee company is mainly engaged in investment business	Investment method	Investment amount	Shareholding ratio (%)	Consolidate or not	Financial statement account (if applicable)	Sources of funds	Partner (if applicable)	Investment period (if any)	Progress as of balance sheet date	Expected earnings (if any)	Impact on profit and loss for the Reporting Period
SIICHIC	SIICHIC holds mainly 71.83% equity interests in Bay Area Development, a Hong Kong listed company	No	Acquisition	5,343,672	100	Yes	N/A	Self-raised	N/A	No	Works including industrial and commercial change, management appointment have been completed, and all equity acquisition funds have been paid and part of the debts assumed.	-	-283,987
Fenghe Energy	Mainly holding 51% equity interests in AVIS	No	Establishment	200,000	50	No	Long-term equity investment	Self-raised	N/A	No	Works including industrial and commercial registration, appointment of directors have been completed, and a capital injection of RMB200,000,000 has been paid.	-	13,224
Lisai Environmental	Mainly engaged in kitchen waste treatment	No	Capital increase and acquisition	124,775	70	Yes	N/A	Self-raised	N/A	No	Works including industrial and commercial change, management appointment been completed. The total investment amount is RMB131,250,000, and RMB124,775,000 of accumulated consideration has been paid.	-	2,904
Shenshan Qiantai	Mainly engaged in vehicle dismantling and power battery aftermarket recycling application business	No	Acquisition	72,473	63.33	Yes	N/A	Self-raised	N/A	No	Equity registration has been completed, and all equity considerations have been paid.	-	8,348
Bioland	Mainly engaged in research and development of organic waste treatment technology, manufacturing of core equipment, investment in construction, and operation and maintenance, etc. with a focus on kitchen waste	No	Capital increase and acquisition	1,639,226	92.29	Yes	N/A	Self-raised	N/A	No	Equity registration has been completed, and all the consideration has been paid.	-	-131,461
Nanjing Third Bridge	Mainly in bridge toll collection	No	Acquisition	158,858	35	No	Long-term equity investment	Self-raised	N/A	No	Equity registration has been completed, and all equity acquisition funds have been paid.	-	35,937
Total	/	/	/	7,539,004	/	/	/	/	/	/	/	/	-355,035

Note 1: The statistical period of the investment amount is the Reporting Period.

Note 2: The amount affected by profit and loss in the current period is the amount affected by the net profit attributable to shareholders of the Company during the Reporting Period.

2. Material Non-equity Investments

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised the expenditures for the purchase of 170 sets of apartments in Vanke Hesongxuan Project for temporary employee housing, the construction of the kitchen waste projects of Bioland, Outer Ring Expressway, Guangming Environmental Park, Coastal Phase II and Shaoyang Kitchen Waste Treatment Project, totalling approximately RMB2.310 billion. The Company fulfils the relevant investment expenditure with a combination of self-owned funds and debt financing. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Name of project	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Outer Ring Project (Phases I & II)	6,500,000	100%	464,991	5,865,397	For the operation of Outer Ring Project (Phases I & II), please refer to the analysis of main business for the Outer Ring Project above. The other construction projects are still underway, and the temporary housing of the Vanke Hesongxuan Project is not delivered yet.
Coastal Phase II	1,000,000	78.4%	308,484	376,929	
Jihe Expressway Reconstruction and Expansion Project	4,494,000	/	316,834	1,151,011	
Preliminary work of Outer Ring Phase III	374,000	/	24,151	67,411	
Various kitchen waste projects of Bioland	/	/	128,311	1,253,306	
Guangming Environmental Park PPP Project	958,100	76.23%	229,774	357,487	
Purchase of 170 sets of apartments in Vanke Hesongxuan Project for temporary employee housing	363,569	/	353,673	353,673	
Shaoyang Kitchen Waste Treatment Project	320,000	/	160,000	160,000	Environmental Company, a wholly-owned subsidiary of the Company, acquired franchise rights for kitchen waste collection, transfer and treatment in Shaoyang Kitchen Waste Project. The contract amount is 320 million yuan. This project adopts the TOT model, and is currently in the stage of commissioning and asset handover.
Total	/	/	1,986,217	9,585,215	/

Management Discussion and Analysis

3. Financial Assets/Liabilities at Fair Value

Unit: '000 Currency: RMB

Asset types	Opening balance (Restated)	Profit and loss from changes in fair value in the current period	Cumulative fair value changes included in equity	Impairment provision for this period	Purchase amount in current period	Sale/redemption amount in current period	Other changes	Closing balance	Description
Other	738,846	24,418	-	-	-	-	-	763,265	(1)
Other	351,381	-	-	-	550,059	-	-	901,440	(2)
Other	212,637	-	-	-	-	-	-1,833	210,804	(3)
Total	1,302,865	24,418	-	-	550,059	-	-1,833	1,875,508	

Explanation on financial assets/liabilities at fair value:

- (1) Mainly due to changes in the fair value of the equity interests held in Shenzhen Water Planning, Unitoll Services and State-owned Assets Collaborative Development Fund.
- (2) Mainly structured deposits.
- (3) Mainly performance commitment compensation.
- (4) For details of financial assets/liabilities measured at fair value, please refer to Notes IX1 to the financial statements of this report.

(V) Analysis of Major Controlling Companies and Participating Companies

1. Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2022		2022			Major businesses
			Total assets	Net assets	Revenue	Operating profits	Net profit/(losses)	
Outer Ring Company	100%	6,500,000	8,079,551	7,085,144	954,681	541,442	531,902	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Qinglian Company	76.37%	3,361,000	6,083,354	3,089,883	618,872	93,259	68,250	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
Qinglong Company	50%	324,000	1,757,329	993,364	575,527	51,138	38,932	Development, construction, toll collection and management of Shuiguan Expressway
Yichang Company	100%	345,000	2,501,896	1,627,263	387,720	161,781	123,700	Construction, operation and management of Yichang Expressway
Shenchang Company	51%	200,000	542,203	334,875	242,006	150,264	112,204	Development, construction, toll collection and management of Shenchang Expressway
Investment Company	100%	400,000	3,128,394	1,093,400	723,338	131,661	94,868	Investment in industry and engineering construction

Company name	Percentage of interests held by the Group	Registered capital	31 December 2022		2022			Major businesses
			Total assets	Net assets	Revenue	Operating profits	Net profit/ (losses)	
Bioland	92.29%	505,439	4,196,095	2,485,167	666,388	-169,731	-158,306	Research and development of organic waste treatment technology, manufacturing of core equipment, investment in construction, and operation and maintenance, with a focus on kitchen waste
New Energy Company	100%	2,251,990	6,002,674	2,734,069	693,615	313,424	303,525	Investment and operation of wind power projects
Derun Environment	20%	1,000,000	62,077,808	17,991,237	14,043,113	3,397,535	1,280,163	Derun Environment is a comprehensive environmental enterprise with two subsidiaries listed on the main board of A shares including Chongqing Water (50.04% equity interests) and Sanfeng Environment (43.86% equity interests). The main businesses of these companies include water supply and sewage treatment, and investment, construction, integrated equipment and operation management of waste incineration power generation projects, as well as environmental remediation.
SIICHIC	100%	HKD392	16,870,566	-980,711	791,941	-136,580	-283,987	SIICHIC directly holds 71.83% equity interests in Bay Area Development, and Bay Area Development mainly holds equity interests in GZ West Expressway, GS Expressway and Xintang JV.

Note 1: The companies listed in the above table are the major companies controlled or participated by the Company.

Note 2: Relevant data is consolidated, and has been adjusted with factors such as premium amortisation.

Note 3: The net profit listed in the above table is the net profit of such companies which is attributable to owners of the Company.

Note 4: For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in this section.

Note 5: The loss of Bioland during the period was mainly due to the impact of external conditions, construction progress, equipment sales, and the volume of kitchen waste collection and treatment fell short of expectations, as well as the transfer of borrowing interests and depreciation and amortisation to costs and expenses, etc. after the conversion of some projects to commercial operation.

Management Discussion and Analysis

2. Analysis of major controlling companies and participating companies whose net profit or investment income has an impact of 10% or more on the net profit attributable to the shareholders of the listed company during the Reporting Period

Unit: '000 Currency: RMB

Company name	Shareholding (controlling/participating) by the Group	Net profit/ investment income during the Reporting Period	Proportion of net profit/investment income to the net profit attributable to the owners of the Company during the Reporting Period	Revenue from principal business during the Reporting Period	Cost of principal business during the Reporting Period	Profit from main business during the Reporting Period
Outer Ring Company	Wholly-owned subsidiary of the Company	531,902	26.63%	954,681	448,603	506,078
New Energy Company	Wholly-owned subsidiary of the Company	303,525	15.20%	691,633	269,389	422,244
Derun Environment	Associate owned as to 20% by the Company	256,033	12.71%	14,043,113	9,285,673	4,757,440

3. Acquisition and Disposal of Subsidiaries during the Reporting Period

- (1) During the Reporting Period, the subsidiaries acquired by the Group by way of business combination under common control were SIICHIC and its subsidiaries; the subsidiaries acquired by way of business combination not under common control were Lisai Environmental, Guangdong Qizhen Highway Engineering Co., Ltd. and Guangzhou Jingmao Construction Engineering Co., Ltd.; and the subsidiaries acquired by new establishment were Digital Technology Company and Shaoyang Shenzhen Expressway Environmental Company.
- (2) During the Reporting Period, the Group cancelled the registration of Tianjin Waterland Environmental Protection Equipment Manufacturing Co., Ltd., Hangzhou Zhishou Environmental Technology Co., Ltd., Beijing Bioland Environmental Management Co., Ltd., Taizhou Bioland High-tech Environmental Protection Equipment Co., Ltd., Kunshan Bioland Technology Co., Ltd., and Shenzhen Expressway Bioland Environmental Technologies Group (Hong Kong) Co., Ltd. (formerly known as Bioland Environmental Technologies Group (Hongkong) Co., Ltd.).
- (3) Details of the scope of consolidation are set out in Note VI to the financial statement of this report.

(VI) Analysis and description on reasons and impacts of accounting policies, changes in accounting estimate, and corrections of significant accounting errors

1. Impact of changes in accounting policies

(1) Impact of implementation of the Interpretation of Accounting Standards for Business Enterprises (No. 15)

On 30 December 2021, the Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises (No.15) (Interpretation No.15)*, regulating three issues related to the sale of products or by-products (“trial operation sale”) before enterprises bring fixed assets to the predetermined serviceable condition or during research and development, namely accounting treatment, judgment of onerous contracts and presentation related to centralised fund management, and require that the first two items be implemented from 1 January 2022 and the latter by implemented from the date of issue.

The Group has adopted the provisions on “trial operation sale” and “judgment of onerous contracts” in the *Interpretation No.15*, and changed its accounting policies accordingly from 1 January 2022. During the Reporting Period, the change to this accounting policy did not have any major impact on the Group’s financial position and operating results.

The change to this accounting policy was considered and approved by the 25th meeting of the 9th Board of the Company. For details, please refer to the relevant announcement of the Company dated 26 August 2022, and Note III\32 to the Financial Statements in this report.

(2) Impact of the implementation of the Interpretation of Accounting Standards for Business Enterprises (No. 16)

On 30 November 2022, the Ministry of Finance issued the *Interpretation of Accounting Standards for Business Enterprises (No.16) (Cai Kuai [2022] No.31) (Interpretation No.16)*, regulating three aspects, namely: ① accounting treatment for the non-applicability of initial recognition exemption to the deferred income tax related to the assets and liabilities arising from a single transaction; ② accounting treatment for income tax impacts related to financial instruments classified as equity instruments by issuers; and ③ accounting treatment for the modification of share payment settled in case to share payment settled in equity by enterprises.

The Group has implemented Item ① from 1 January 2023, and Items ② and ③ from the date of issue. During the Reporting Period, the change to this accounting policy did not have any major impact on the Group’s financial position and operating results.

The change to this accounting policy was considered and approved by the 30th meeting of the 9th Board of the Company. For details, please refer to Note III\32 to the Financial Statements in this report, and the relevant announcement of the Company dated 24 March 2023.

Management Discussion and Analysis

2. Impacts of changes in accounting estimates

(1) Change in accounting estimates of the unit amortisation amount of intangible assets of Qinglian Expressway

According to the Company's relevant accounting policies and systems, and the actual situation of the main toll highways, the Group has changed the accounting estimates for the unit amortisation amount of concession intangible assets of Qinglian Expressway from 1 October 2022. Such change reduced the equity attributable to shareholders of the parent company as of 31 December 2022 by approximately RMB16,360,000, and the net profit attributable to shareholders of the parent company of the Group during the Reporting Period by approximately RMB9,371,000, and did not have any major impact on the Group's financial position and operating results in general.

This change to accounting estimates was considered and approved by the 30th meeting of the 9th Board of the Company. For details, please refer to Note III\19(1) to the Financial Statements in this report, and the relevant announcement of the Company dated 24 March 2023.

(2) Change in estimated amortisation period of intangible assets of Nanjing Wind Power

In recent years, wind turbines have tended toward larger sizes and been upgraded rapidly in technology. Low-power wind turbines are used for subsequent maintenance and replacement mainly, with a limited overall market demand. In addition, since Nanjing Wind Power's business performance was lower than expected in the past two years, it was proposed to provide for impairment for the goodwill and intangible assets arising from M&A, and it was also considered to adjust the amortisation period of intangible assets of Nanjing Wind Power at the end of 2022. From 1 January 2023, the amortisation period of intangible assets of Nanjing Wind Power, such as patent rights, proprietary technologies and non-patented technologies related to the design and manufacturing of wind turbines has been changed from 75 months and 114 months remaining to 36 months in a unified manner. It is preliminarily predicted that this change to accounting estimates will increase the Group's amortised amount of intangible assets in 2023 by approximately RMB10,407,000, and reduce its net profit attributable to shareholders of the Company in 2023 by approximately RMB4,886,000.

This change to accounting estimates was considered and approved by the 30th meeting of the 9th Board of the Company. For details, please refer to Note III\33.2(1) to the Financial Statements in this report, and the relevant announcement of the Company dated 24 March 2023.

(VII) Fulfilment of performance commitments and its impact on goodwill impairment test

1. Nanjing Wind Power

On 15 March 2019, Environment Company, a wholly-owned subsidiary of the Company, entered into the "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd" (《關於南京風電科技有限公司的股權併購協議》) with 12 parties, including Nanjing Anbeixin Investment Management Co., Ltd., Jiangyin Jiangong Group Co., Ltd., Pan Ai Hua, Wang An Zheng, etc., all being the original shareholders (collectively "Party B"), and Pan Yu ("Party C"), and Environment Company acquired a total of 30% equity interests in Nanjing Wind Power from Party B and Party C, and unilaterally increased its shareholdings to 51% via capital contribution, upon which, Party C exited from the investment and Party B undertook that the audited revenue of Nanjing Wind Power in 2019, 2020, 2021 and 2022 will be no less than RMB450 million, RMB600 million, RMB760 million and RMB950 million, respectively, while the audited net profit will be no less than RMB56 million, RMB70 million, RMB88 million and RMB106 million, respectively.

Nanjing Wind Power fulfilled the performance commitments for 2019–2020; but did not fulfil that for 2021. Pursuant to the relevant agreements and documents, the Company is entitled to performance commitment compensation to Party B of approximately RMB103 million in 2021. Pursuant to the appraisal report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2021 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was lower than the carrying amount. Based on this, an impairment loss on goodwill of RMB110 million was recorded by the Company. Throughout 2022, the Group actively negotiates with Party B and requires Party B to fulfill its performance commitments. Affected by various factors including as many as 12 entities of Party B and changes in the valuation of Nanjing Wind Power, as of the date of this report, Environmental Company has not received the 2021 performance compensation payable by Party B, and the relevant payment is still under negotiation. Proceeding from the fact that it is beneficial to the long-term operation and development of Nanjing Wind Power, the Group will try its best to deal with the fulfillment of performance commitments through negotiation, and will take legal measures in due course according to the negotiation situation to effectively protect its legitimate rights and interests. The Company will perform its information disclosure obligations in a timely manner according to the progress of relevant matters.

As of the date of this report, Nanjing Wing Power had not yet issued its audit report for 2022. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Nanjing Wind Power for 2022), Nanjing Wind Power is expected to record a net loss of approximately RMB233 million for 2022, and fail to fulfil its performance commitment target for 2022, where the performance commitment gap is approximately RMB173 million. The Company will negotiate with Party B and remind it for fulfilling the said commitment responsibility upon the issuance of the audited results of Nanjing Wind Power. On a prudent basis, Environmental Company has not recognised such performance compensation income yet.

The Company's goodwill arising from the acquisition of equity interests in Nanjing Wind Power was RMB156 million, with RMB46 million remaining at the end of 2021. Pursuant to the evaluation report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2022 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was lower than the carrying amount. Based on this, the Company made full provision for impairment loss on the remaining goodwill, and this year recognised an impairment loss of RMB46 million on goodwill.

The implementation of performance commitments from 2019 to 2022 is as follows:

Year	Performance commitment gap ('000)	Implementation
2019	–	Performance commitments have been fulfilled.
2020	–	Performance commitments have been fulfilled.
2021	102,590 (estimated) 103,690 (audited)	Recognition of performance commitment compensation earning: RMB103 million. The payment is still under negotiation. The Group will take legal measures in due course based on the negotiation situation to effectively safeguard its legitimate rights and interests.
2022	172,710 (estimated)	Recognition of performance commitment compensation earning: RMB0. The Company will negotiate with Party B and remind it for fulfilling the said performance commitment upon the issuance of the audited results of Nanjing Wind Power. On a prudent basis, Environmental Company has not recognised such performance compensation income yet.

Management Discussion and Analysis

2. *Bioland*

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Bioland at a consideration of not more than RMB809.6 million by way of share subscription and capital increase. For details, please refer to the Company's report dated 8 January 2020. Pursuant to the agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd., Beijing Shuiqi Lande Technology Co., Ltd., Mr. Shi Junying and Mr. Shi Junhua ("Performance Commitment Parties"), shall jointly undertake and guarantee in joint liability that the audited net profit attributable to shareholders of the parent company (after deducting non-recurring profit or loss) of Bioland in 2020, 2021, 2022 and 2023 ("Performance Commitment Period") will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to shareholders of the parent company realised during the Performance Commitment Period will be no less than RMB360 million. If the accumulated actual net profit at the end of any year during the performance commitment period is lower than 70% of the accumulated promised net profit in the same period, the obligation of share compensation will be triggered. The number of shares compensated by the performance commitment parties is limited to the shares it holds in Bioland.

Bioland has fulfilled the 2020 annual performance commitment target, but did not fulfill its performance commitment target for 2021. Pursuant to the relevant agreements and documents, performance commitment parties have transferred 22.64 million shares of Bioland to the Environmental Company as performance commitment compensation. As of the date of this report, Bioland has not yet issued its audit annual report for 2022. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Bioland for 2022), Bioland is expected to record a net loss of approximately RMB136 million for 2022, failed to complete the 2022 annual performance commitment target. According to the relevant agreements and documents, the Company recognised the performance compensation of RMB108 million based on the fair value of the 19.53 million shares of Bioland pledged by the Performance Commitment Parties to the Environmental Company in accordance with the principle of accounting prudence. At present, the performance commitment parties have registered the pledge of 19.53 million shares of Bioland to the Environmental Company. The Company will negotiate with the performance commitment parties and remind it for fulfilling the said commitment responsibility upon the issuance of the audited report of Bioland.

The implementation of performance commitments from 2020 to 2022 is as follows:

Year	Performance commitment gap ('000)	Implementation
2020	–	Performance commitments have been fulfilled.
2021	105,270 (estimated) 114,530 (audited)	Recognition of performance commitment compensation earning: RMB105 million. According to the agreement and the final audit results, the Performance Commitment Parties has transferred 22.64 million shares to the Environmental Company in September 2022 as performance commitment compensation.
2022	162,330 (estimated)	Recognition of performance commitment compensation earning: RMB108 million. <ol style="list-style-type: none"> The Performance Commitment Parties pledged 19.53 million shares to the Environmental Company in October 2022 as a performance guarantee for performance commitment compensation. According to the principle of prudence, the performance commitment compensation income of RMB108 million was recognised according to the fair value of the 19.53 million shares pledged to the Environment Company; The Company will urge the Performance Commitment Parties to fulfill the performance commitment responsibility after Bioland's audit report is officially issued.

3. *Shenshan Qiantai*

On 6 August 2020, Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen Qiantai Energy Renewable Technology Co., Ltd. (“Qiantai Energy”) and other related parties in respect of acquiring 50% equity interests in Shenshan Qiantai by way of capital increase and transfer with a total capital contribution was RMB225 million. Meanwhile, Qiantai Energy undertook that the audited net profit of Shenshan Qiantai in 2021, 2022, 2023 and 2024 (“Valuation Adjustment Mechanism Period”) will be no less than RMB12.29 million, RMB18.56 million, RMB23 million and RMB28.34 million, respectively.

Shenshan Qiantai did not fulfil its performance commitment target for 2021. In 2022, Infrastructure and Environmental Protection Company has collected approximately RMB4.78 million from Qiantai Energy as the performance commitment compensation for 2021. As at the date of this report, Shenshan Qiantai has not yet issued its audited report for year 2022. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Shenshan Qiantai for year 2022), Shenshan Qiantai is expected to record a net profit of approximately RMB20 million for 2022, and able to fulfill its performance commitment target for 2022.

The implementation of performance commitments from 2021 to 2022 is as follows:

Year	Performance commitment gap ('000)	Implementation
2021	4,780	Recognition of performance commitment compensation earning: RMB4.78 million. In 2022, Infrastructure and Environmental Protection Company has collected approximately RMB4.78 million from Qiantai Energy as the performance commitment compensation for 2021 in accordance with relevant agreements and documents.
2022	–	Performance commitments have been fulfilled.

(VIII) Proposed profit distribution

The Company’s 2022 net profits attributable to shareholders of listed companies in its consolidated statements and the net profits of the parent company in its statements audited based on CASBE were RMB2,014,112,457.01 and RMB1,331,951,284.40 respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB114,539,572.89 for the year of 2022. The Board recommended to distribute a final dividend of RMB0.462 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2022, based on the total share capital of 2,180,770,326 shares at the end of 2022, with an aggregate amount of RMB1,007,515,890.61, which accounts for 55.13% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2022 after excluding the investment income payable to the holders of the perpetual bonds. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid proposal will be submitted for approval at the 2022 Annual General Meeting of the Company.

Management Discussion and Analysis

1. Formulation, Implementation or Adjustment of Cash Dividend Policy

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 25 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy in line with the principle of attaching great importance to reasonable returns to shareholders while satisfying the needs of sustainable operation and development. The Articles of Association has a clear standard of dividend distribution and the minimum proportion of annual dividends, and has formulated sound decision-making procedures and mechanisms. Any modification to the profit distribution policy or failure in formulating/implementing profit distribution proposals according to such policy by the Company shall be proposed at the general meeting by way of a special resolution for considerations.

According to the Shareholders' Return Proposal for 2021–2023 approved by the general meeting of the Company, in the event that the conditions for cash dividend distribution are satisfied, the Company will endeavour to increase the proportion of cash dividend in 2021–2023. Besides, the profit intended for cash dividend will not be less than 55% of the net profits attributable to owners of the Company in the consolidated statements for the same year after excluding the distribution payable to the holders (if any) of other equity instruments such as perpetual bonds, provided the financial and cash status of the Company are good and neither issue of substantial investment plans or cash expenditures exist.

The 2022 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders' Return Proposal. While formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of the relevant factors. The Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

2. Plans/Proposals of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares (share)	Dividend (RMB) for every 10 shares (tax inclusive)	Number of share for conversion of capital reserve into share capital for every 10 shares (share)	Cash dividend (tax inclusive)	Net profit in consolidated statements for the year of distribution Note	Percentage of dividend over the net profit in consolidated statements (%)
2022 (Proposal)	0	4.62	0	1,007,515,890.61	1,827,556,901.46	55.13
2021	0	6.20	0	1,352,077,602.12	2,606,254,756.43	55.88
2020	0	4.30	0	937,731,240.18	2,040,212,195.19	45.96

Note 1: The net profits attributable to the ordinary shareholders of the listed company in the consolidated statements for the years of dividend distribution of 2020 and 2021 in the above table were data before restatement.

Note 2: The net profit attributable to ordinary shareholders of listed companies in the 2022 annual consolidated statement for the year of dividend distribution of 2022 in the above table has excluded the investment income payable to perpetual bond investors.

V. Outlook and Plans

(I) Development Strategies of the Company

Based on the in-depth study of both the internal and external environment as well as the Company's core competitiveness, the Company has formulated its development strategy for the "14th Five Year" period (2021–2025), which has been considered and approved by the general meeting in December 2021.

The overall development strategy of the Company will be to seize the opportunities of such an era arising from the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen in building a pilot demonstration area of socialism with Chinese characteristics by pursuing a market-oriented and innovation-driven strategy, the aim of which would be to consolidate and enhance its advantages in the toll highway industry and actively expand into the featured environmental protection and integrated clean energy industries, thereby building an intelligent Shenzhen Expressway and facilitating quality sustainable development of the Company.

The strategic goals will be to expand its presence nationwide while staying focused on Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area, and to provide cities with solutions of sustainable development featuring "innovation, intelligence, environmental protection, and high efficiency", thereby striving to become a first-class infrastructure construction and operation service provider including transportation via highway and environmental protection that realises growth of scale, optimisation of organisation, enhancement of capabilities and improvement of systems.

For the toll highway sector, the Group will "consolidate and enhance the toll highway business by such means as carrying out new construction projects, expansion projects, mergers and acquisitions (M&A), and resources consolidation, at the same time actively expanding the business of investment, construction, management and maintenance of expressways and high-speed roads, extending the operating periods of toll highway projects, and maintaining the leading advantages of its core highway business by increasing the scale of highway assets, promoting cost reduction and efficiency improvement, and refining its management. The Company will also actively explore market-oriented projects from upstream to downstream along the industrial chain, focusing on intelligent upgrade and comprehensive management and maintenance."

For the general environmental protection sector, the Group will "enhance and build up its operational capability with a focus on segments such as organic waste treatment, hazardous waste treatment and clean energy power generation, and increase its resource investment with enhanced efforts made in construction. The Group will also enhance its treatment capacity for organic waste projects and increase the size of hazardous waste treatment projects, thereby establishing its scale advantages and hence securing a leading position in these industry segments. New investments or acquisitions of equity interests in wind farms or photovoltaics power stations will be made with an aim to develop an integrated clean energy system with features of Shenzhen Expressway of 'equipment manufacturing + power station development and construction + power station operation and sale + power station operation maintenance + financial leasing'. Meanwhile, the Group will explore and moderately invest in other opportunistic quality environmental projects such as scrap vehicle dismantling and municipal environmental protection."

In addition, the Group will continue to activate existing resources, and promote the development and utilisation of land along expressways. The Group will explore and develop new businesses related to Shenzhen Expressway's resources, such as new urban construction and industrial-financial integration.

Management Discussion and Analysis

(II) Operation Plans

2023 is in the middle range of the 14th Five-Year Plan period. The Company will stick to the strategy of the dual-core businesses, and grasp such opportunities as restorative economic growth, market demand revival, and favourable industry and regional policies to drive development, improve efficiency, strengthen infrastructure construction, optimise management and control risks around the business objectives set by the Board. The Company will formulate and implement various business plans based on high-quality development to ensure that the 14th five-year strategic goals are realised. The basic judgment of the Group on the operating environment and its basic understanding of the industry development trend and competition landscape was explained under the section headed "Future Outlook" in the "Chairman's Statement" of this annual report. In view of the actual situation of the Group, the working goals and focuses for the Group in 2023 are as follows:

- ◆ **Operating Targets:** Based on the analysis and expectation of our operating environment and operating conditions, the Company has set a total revenue target for 2023 of RMB11 billion, with the total of operating costs, management expenses, and selling expenses (excluding depreciation and amortisation) of approximately RMB5.7 billion. In 2023, it is expected that the average borrowing scale and the financial cost of the Group will increase on a YOY basis.
- ◆ **Toll highway business:** The Group will continually and fully improve the refined construction, operation, and management of toll highways, tap potential deeply, improve road traffic efficiency through digital empowerment, construct high-quality transport projects through intelligent innovation, explore high-quality M&A projects in a market-based manner, and activate existing resources through the integrated development of transport projects and land resources. In terms of operation management, the Group will deepen and try out technical solutions for free flow toll collection, and conduct whole-lifecycle cost control properly to improve operational quality and efficiency. For major projects, the Group will promote the refinement and approval of the investment and financing plan for the Jihe Expressway Reconstruction and Expansion Project actively, and commence construction this year; accelerate the construction of Coastal Expressway Phase II, the Outer Ring Project, etc., and ensure that they are connected to relevant highway networks on schedule; accelerate the preliminary work of the GS Expressway Reconstruction and Expansion Project, Shenshan Second Expressway and other projects, and complete project approval, and investment and financing plan finalisation as soon as possible. In terms of project development, the Group will pay attention to high-quality projects on the market continually, extend the management and maintenance business, and take the opportunity of highway expansion and reconstruction to promote the development and utilisation of land resources along highways to improve the overall investment return of toll highways.

- ◆ **General environmental protection and other businesses:** With a focus on the recovery and solid waste management and clean energy power generation segments, the Group will deepen lean operation management to improve project revenues, strengthen investment and M&A, expand market share, arrange supporting industry chains, and strengthen business synergy. The Group will continue to do well in business and management integration for existing projects, accelerate the completion and commissioning of projects under construction, increase waste collection and treatment capacity, and wind farm power generation capacity, and improve the standardised operation system to reduce costs, and improve efficiency and project profitability. The Group will give play to the advantages of the integrated clean energy system, and enhance the ability to acquire high-quality projects and expand the industrial market through industry-finance integration, cooperation with industrial enterprises, etc. The Group will give full play to the resource advantage and technical strength of subsidiaries in vehicle scrapping and echelon power battery utilisation to accelerate market development, strengthen the ability of deeper battery utilisation, and improve scale and efficiency quickly. The Group will continue to extend the entrusted construction and management businesses, and explore business opportunities in new urban construction, etc. based on the Company's years of infrastructure investment, construction and operation capabilities.

- ◆ **Financial management and corporate governance:** The Group will further strengthen standardised financial management and unified resource planning, and improve financial operating efficiency by establishing a financial sharing centre and a centralised fund management platform. The Group will closely monitor changes in monetary policy and the financing environment, adjust the funding strategy timely, actively expand financing channels, expand the equity capital, and realise optimal overall capital costs while ensuring the security of the capital structure to provide financial support for the implementation of the Group's major projects and the realisation of the 14th five-year strategic goals. The Group will further improve its classified management level of holding enterprises and enterprises in which the Group holds equity interests, and improve the authorisation management system and the exercise effect evaluation system based on the characteristics of enterprises in different industries, so as to improve decision-making and operation management efficiency. The Group will adhere to the principles of good corporate governance, and further improve corporate governance and various management systems, and corporate transparency.

Management Discussion and Analysis

(III) Capital Expenditure Plan

As of the date of approval of this report, the capital expenditures approved by the Board mainly include the construction expenditures for the Outer Ring Project, Coastal Phase II, the kitchen waste projects of Bioland, Guangming Environmental Park, and other projects, as well as equity investment expenditure for acquisition of Bay Area Development and others. It is estimated that by the end of 2025, the total capital expenditure of the Group will be approximately RMB6.180 billion. The Group plans to use its own funds and bank loans to meet its funding needs. The Group's financial resources and financing capacity is currently adequate to meet the various capital expenditure needs.

The Group's capital expenditure plans approved by the Board from 2023 to 2025 are as follows:

Unit: '000 Currency: RMB

Project	2023	2024	2025	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Phase I & II	634,603	–	–	634,603
Preliminary expenditure of Outer Ring Phase III	145,000	130,000	–	275,000
Coastal Phase II	533,994	82,465	–	616,459
Jihe Expressway R&E Project	354,121	748,200	–	1,102,321
Preliminary expenditure of Shenshan Second Expressway	14,800	70,000	40,000	124,800
Kitchen Waste Project of Bioland	424,113	19,928	3,538	447,579
Guangming Environmental Park Project	437,545	541	158,519	596,605
Shaoyang Kitchen Waste Treatment Project	160,000	–	–	160,000
Lisai Environmental technological renovation project	23,766	3,258	–	27,024
Final payment for decoration of the office property in 35th-48th floors of Hanking Center	–	3,553	–	3,553
Reinforcement of Changsha Ring Road pavement structure	9,453	–	–	9,453
II. Equity Investment				
Acquisition of Bay Area Development	2,176,348	–	–	2,176,348
Acquisition of Lisai Environmental	6,475	–	–	6,475
Total	4,920,218	1,057,945	202,057	6,180,220

Note 1: The capital expenditure of the project of acquisition of Bay Area Development includes the relevant liabilities incurred due for repayment.

Note 2: The investment and financing methods of the projects such as Jihe Expressway R&E Project, Shenshan Second Expressway, and Outer Ring Phase III are not yet determined.

(IV) Risk Management

By actively identifying, evaluating, and responding to risk issues in its operation, the Company has applied risk management to all segments, including corporate strategies, decision-making, operations, and finance. For details on the establishment and operation of the Company's risk management system, please refer to the section "Internal Control" in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policies, operation management, investment expansion, financing, and construction management.

1. Policy Risks

Risk position/analysis:

The escalation of global geopolitical tensions has given rise to greater uncertainties in the global political and economic environments. In face of a series of problems such as high international inflation, slowing economic growth, and energy constraints, governments usually respond by adjusting fiscal and monetary policies and taking trade protection and other measures, which may lead to sharp fluctuations in market interest and exchange rates, rising energy prices, reduced international trade volumes, and difficult economic growth. This may lead to such risks as reduced highway traffic volume, increased investment costs, foreign currency debt exchange losses, and increased financial costs for the group.

The Group's toll highway and general environmental protection businesses are closely interrelated to the industry policies implemented by the government. The amendment to the Regulations on the Administration of Toll Highways (《收费公路管理条例》) is still pending, as such, changes to the approval principles of tolling periods and toll rates remain uncertain. The approval and adjustment authority of toll rates and tolling periods is vested in the government, and no market-based price adjustment mechanism has been established; regulatory policies on the environmental industry are tightening with rising industry standards. Both penalties for violations of laws and regulations and the amount for project investment have thus increased. As the wind power industry enters the "grid parity era", due to the difference in the enforcement of the relevant policies such as tariff subsidies, development of ultra-high voltage projects, and wind power and photovoltaics power curtailment in different regions, the operation and profitability of wind power projects might be affected.

Management/response measures:

China has always maintained political stability, policy consistency, and economic development continuity in the complex global situation. The 2022 meeting of the Political Bureau of the CPC Central Committee further defines the tone of 2023 macro-policies, namely continuing to implement active fiscal policies and steady monetary policies, and providing strong support for stable economic development. The Group will pay close attention to changes in market interest and exchange rates, reserve financial resources in advance, and adjust exchange rate risk exposure by means of loan replacement, forward exchange rate locking, etc. to reduce financial costs.

The Group will closely monitor and collect policy information, study the long-term impact of industry policy changes on its relevant businesses, conduct a strategic review and adjustment timely, and reserve relevant resources to ensure the steady development of the dual-core businesses. Meanwhile, by actively exploring the market-oriented projects along the upstream and downstream transportation industry chain, and the supporting businesses of the general environmental protection industry chain, the Group will be able to establish an industry layout featuring a combination of light and heavy assets as well as invested or controlled projects with synergistic development of such assets and projects to diversify industry risks. The Group will maintain its leadership of the toll highway business and establish an environmental protection business system with its own characteristics through orderly investment expansion, standardised operation, lean management, potential tapping and efficiency improvement, thereby enhancing its ability to adapt to changes in the external operating environment. The Group will grasp the opportunities arising from every industry reform, and enhance risk resistance by strengthening the Group's core competencies.

Management Discussion and Analysis

2. **Operational Management Risks**

Risk position/analysis:

In terms of toll highways, the Group faces new challenges in technology, talent and equipment resources under the outline on building China's strength in transportation which requires accelerating the free-flow tolling system development; the official launch of the nation-wide ETC toll interconnection project has imposed stricter requirements on the function of toll collection systems and facilities, and a heavier workload in relation to toll collection inspection and accounting; all localities require preferential toll rates for ETC users, which may have a negative impact on toll revenue to a certain extent. In terms of the general environmental protection business, factors such as lower power grid consuming capacity, power grid policies, tariffs, changes in wind resources, as well as the performance, operation and maintenance of wind turbines, may cause fluctuations in various parameters such as power generation hours of wind farms, which will have a certain impact on the revenue of wind farms. The actual profitability of kitchen waste treatment projects may be lower than expected due to factors such as the lower-than-expected actual processing amount, insufficient grease recovery, and volatile sales prices.

Management/response measures:

The Group has completed transforming toll stations and switching toll collection systems according to the overall national deployment. The new toll collection system and facilities have operated reliably as a whole with strong support. The Group has revised and improved the operation procedures and institutional system. It also plans to introduce the toll collection inspection management system under the free flow model for faster identification of and response to abnormalities. The Group will strengthen research on the application of 5G, satellite positioning, AI and other technologies to lay a foundation for improving ancillary facilities for the free flow toll collection model. The objective of the nationwide ETC toll interconnection project is to enhance the overall traffic efficiency of road networks, which will definitely attract more drivers to use toll highways. In the long run, it will help to increase the traffic volume and toll revenue of road networks, thereby improving the overall operating performance of the toll highway business.

The Group has established a sound investment verification, review and decision-making system for environmental protection projects. Except for its own team, the Group also hired specialised third-party agencies and industry experts to assist in fully identifying project risks, conducting project research, analysis, review and decision-making prudently, continually optimising project investment estimation models and strengthening the sensitivity analysis and stress testing of proposed investment projects. For wind farm operation projects, the Group attaches importance to communication and coordination with competent industry authorities to maintain a good external operating environment, and also strengthens operation and maintenance management, and cost control to keep wind turbines in good working condition, and ensure stable operating revenue. For kitchen waste treatment projects, the Group strives to reduce costs and improve management efficiency by building a standardised operation system and IT-based management platforms; pay attention to communication and coordination with local competent authorities to increase the quantity of waste collection, transfer and treatment; and acquires higher grease sales prices through unified bidding, and plans to conduct further grease processing to reduce price fluctuation risks. In 2022, the NDRC and other authorities issued policies on building a sound kitchen waste collection, transfer and recycling system in all places, which helps local governments to strengthen crackdown actions against illegal collection, transfer and treatment activities, and promote operations of compliant kitchen waste treatment enterprises. In addition, the Group also strives to set clauses on the minimum guaranteed collection and transfer quantities in franchise agreements with the government to reduce insufficient quantity risks.

3. **Business Expansion Risk**

Risk position/analysis:

To promote industry transformation and upgrading, and realise sustainable development, the Group has strengthened business development, investment and M&A in recent years, but also faced some risks and challenges. In terms of toll highways, after over 30 years of rapid industry development, road network planning and construction is stabilising, new, reconstruction and expansion projects are costly, road network traffic volume can hardly support reasonable business returns for social capital, high-quality projects are rare, there is intense market competition in the upstream and downstream highway industry chain, and it is more difficult to acquire projects. In the general environmental protection industry, large central enterprises, local state-owned enterprises, and other leading and transnational environmental protection enterprises have joined the market competition, making it more difficult to acquire high-quality projects and driving down expected returns; the supporting energy storage requirements for newly developed wind power projects in state new energy policies will affect investment costs and profitability of wind power projects negatively, and electricity market reform will bring greater uncertainties in the overall return on investment of wind power projects.

Management/response measures:

In the toll highway business, the Group will increase project returns by activating assets, increasing the overall utilisation value of assets, and exerting its influence in the markets of Shenzhen and the Guangdong-Hong Kong-Macao Greater Bay Area; develop upstream and downstream businesses in the highway operation management industry chain, and improve its competitiveness gradually. In the general environmental protection business, the Group will still attach great importance to the ability to identify projects risks, analyse and judge project investments to ensure that projects are implemented as expected; at the same time strengthen cooperation with leading enterprises in the industry to develop the market together through advantage complementation, strengthen the internal potential tapping and cost control of existing projects, improve the operation management capability, establish a scale advantage, and enhance its market competitiveness through lean management, standardisation, informatisation, etc.

Aiming at realising standardised management and sustainable development of each acquisition and collaboration project, the Group will study the adjustment and optimisation of the shareholding structure of projects, develop a classification management and control model applicable to diversified businesses and optimise the management authorization system, thereby enhancing the Group's overall operational efficiency and profitability. By strengthening centralised financial management, appointing a chief financial officer, carrying out special audits, etc., the Group will strengthen the daily risk control of subsidiaries, timely identify weaknesses of internal management, and implement rectification. The Group will further explore a diversified long-term incentive and constraint mechanism, and optimise the building of its talent team, hence comprehensively enhancing the Group's capabilities in corporate governance and operation management to meet the requirements of industry participants amidst the increasingly competitive environment.

Management Discussion and Analysis

4. **Financing Risks**

Risk position/analysis:

In general, the Group's existing toll highway and general environmental protection businesses are both capital-intensive industries. Whether the Group can provide sufficient capital support to its businesses and proper financial resources for the realisation of the development strategies is an important risk to be managed.

Given increased efforts of the Group in expanding core businesses in recent years, the overall scale of investment is increasing. In the next few years, the Group will still be in a peak period of capital expenditure, and should make proper arrangements for investment expenditure for new projects and fund payment for existing projects while ensuring the repayment of mature debts and the distribution of dividends. There are still some uncertainties in the recovery and development of the economy. If a fund shortage or cost increase occurs on the market in the future, the Group may face financing risks, thereby affecting its normal operation adversely.

Management/response measures:

The Group's excellent financing and capital management capabilities are its major core advantages. The Group will manage such risk in the following manners: (1) revise capital planning on a rolling basis, and control the overall payment arrangement by planning in advance and communicating proactively with business units; (2) coordinate bank resources, maintain sufficient credit lines, strengthen credit policy tracking and domestic and overseas credit maintenance, maintain close communication and mutual trust with financial institutions, and prepare financing plans in advance based on business requirements; (3) make effective use of the multi-level capital market to expand financing channels, seizing the opportunity of the state to encourage direct financing and green financing, and make full use of different financing products and instruments, including equity, bonds, asset securitisation and REITs, to expand direct financing channels in the capital market; (4) coordinate capital planning and financing arrangements, capitalising on market opportunities to carry out debt replacement in a timely manner, continue to optimise the Company's debt structure, reduce financial costs and exchange rate risks, and enhance efficiency in resource allocation.

5. **Construction and Management Risks**

Risk position/analysis:

In 2023, the Group's main construction projects include Outer Ring Project, Coastal Expressway Phase II, Jihe Expressway Reconstruction and Expansion Project, Shenshan Environmental Park, and multiple kitchen waste treatment projects. Since a number of major projects will be constructed simultaneously, extremely strict requirements are placed on project investment, cost control, construction progress, quality control, capital arrangement and safety management. Meanwhile, current construction cost, future operating cost, project profitability and company reputation are directly or indirectly affected by price fluctuations of building materials, changes in planning or design, the promulgation of new government policies and technical specifications, or the introduction of regulatory measures on public affairs, as well as adjustments to government development plans, etc. In recent years, the Group has carried out the strategic arrangements of the CPC Central Committee and the State Council and accelerate its digital transformation. The actual application effect of digital technology to the construction and management of the Group's various business sectors, the management of digital assets, and the assurance of data security will be a new challenge towards the Group.

Management/response measures:

Project construction management capability has become one of the Group's important core competencies after more than 20 years of development. The Group has maintained an effective construction management system, which is capable of managing and controlling various types of risks in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design parties and competent governmental authorities, optimise design and construction plans, overcome technical difficulties, and economise project costs. As for contract and construction management, on one hand, the Group will comprehensively consider the adjustment of material spreads in the construction contract, which can effectively reduce or transfer the price fluctuation risks of building material through the terms of the contract. On the other hand, the Group will enhance internal control and reduce changes of design by strengthening its management of changes in construction projects. Responsibilities shall be allocated on an equality basis in terms of duties, powers and interests. In terms of digital construction and management, the Group will continually improve the top-level design of digital transformation, optimise the IT control system, gain digital management experience and techniques based on major projects, and further strengthen the management of digital assets and data security by establishing the Digital Technology Company. The Group will continuously improve the management system of safe production, strengthen training, standardise operations, and raise the safety awareness and management level of staff at all levels.

Report of the Directors

The Board hereby presents the Report of the Directors and the audited financial statements for the year ended 31 December 2022. The financial statements have been prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of the HKEx.

Principal Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads, as well as the general-environmental protection in the PRC. At present, the general-environmental protection business includes solid waste and hazardous waste treatment and clean energy. During the Reporting Period, there was no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business, business development plans, major risks and uncertainties, and financial key performance indicators, as required by the relevant regulations and guidelines (including but not limited to the relevant regulations and guidelines of the PRC and Hong Kong, and the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" in this annual report, the Notes to Financial Statements, and the 2022 Environmental Social and Governance report of the Company dated 24 March 2023.

Major Customers and Suppliers

During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for approximately 13.86% and 23.88% of the Group's total revenue and total amount of purchases, respectively. For details, please refer to "Financial Analysis" of "Management Discussion and Analysis" in this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

Results, Dividend Policy and Profit Distribution

The results of the Group for the year ended 31 December 2022 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.462 (tax included) per share in cash for 2022, the details of the Company's dividend policy and profit distribution plan for 2022 are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2022 are set out in the Consolidated Statement of Financial Position and the Company Statement of Financial Position in this annual report.

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out in "Financial and Operational Highlights" in this annual report.

Share Capital

The share capital of the Company is RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V41 to the Financial Statements in this annual report.

Purchase, Sale or Redemption of Securities

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, its subsidiaries or joint ventures.

Pre-emptive Rights

According to the PRC laws and the Articles of Association, there are no provisions for pre-emptive rights requiring the Company to offer new shares (if any) firstly to the existing shareholders in proportion to their shareholdings.

Reserves Available for Distribution

As at 31 December 2022, the Company's reserves available for distribution to shareholders under PRC GAAP amounted to RMB8,079,278,802.54 and the share premium account of the Company may be used to pay up new shares to be allotted as fully paid bonus shares.

The number and details of significant movements in the reserves of the Group and the Company during the Reporting Period are set out in note V46 to the Financial Statements in this annual report.

Tax and Tax Relief

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following laws, regulations and normative documents are extracted from relevant provisions issued and effective as of 31 December 2022. Shareholders should, if necessary, consult professional tax and legal advisors for advice relating to specific tax payment or the impact thereof:

Holders of A Shares:

Pursuant to the Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No.101), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to the Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2009] No.47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax at a tax rate of 10%. If the relevant Shareholders consider their dividends enjoy tax treaty (arrangement) benefits, such Shareholders may apply for tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

Report of the Directors

Holders of H Shares:

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, any PRC domestic enterprise which pays dividends to non-resident enterprise overseas H shareholders shall withhold and pay enterprise income tax at a tax rate of 10%. Pursuant to the Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) and the letter of the HKEx titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" dated 4 July 2011, when the domestic non-foreign invested companies which are listed in Hong Kong distribute dividends to their shareholders, the shareholders in general will be subject to individual income tax at a rate of 10%, unless otherwise specified under tax laws, regulations and other normative documents, as well as relevant tax treaties or arrangements.

Under the current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Investors of the Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on HKEx and the investors in Hong Kong investing in A shares listed on the Shanghai Stock Exchange under the Shanghai-Hong Kong Stock Connect Program, please refer to the Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No.81) and the Notice on Continuing the Implementation of the Individual Income Tax Policy Concerning the Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No.78) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Charity Donations

During the Reporting Period, the Group donated RMB188,000 for charity or public welfares.

Environmental Policies and Performance

As the Group principally engaged in the investment, construction and operation management of toll highways and roads, as well as the general-environmental protection business in the PRC. Currently, the Group's general-environmental protection business mainly includes solid waste recycling treatment and clean energy. The Group adheres to the basic environmental policy of "using resources rationally and protecting the environment, as well as promoting the practical application of environmentally-friendly technologies and materials in various aspects such as daily management, engineering design and construction". The Group integrates the green, recycling and low-carbon business philosophy into each aspect and the entire process into production and operation. The Group also strictly complies with laws, regulations and industry practices such as the Environmental Protection Law, Air Pollution Prevention Law, Solid Waste Pollution Prevention Law, Water Pollution Prevention Law, Environmental Impact Assessment Law, and Regulations on the Administration of Construction Project Regarding Environmental Protection. The Company also promotes green construction and low-carbon operation, actively develops and introduces innovative technologies, innovative processes and environmentally friendly materials, so as to encourage energy saving and emission reduction, promote the recycling of resources and endeavor to assume the social responsibility of environment protection.

For details of the Group's environmental policies and performance during the Reporting Period, please refer to the Environmental, Social and Governance Report 2022 of the Company.

Communication with Stakeholders

The Company has paid attention to and actively identified the appeals and expectations of stakeholders on an ongoing basis, including the government, shareholders, suppliers, customers, employees and communities. The Company has improved the communication and feedback mechanism by establishing diverse communication channels, with a view to fully understanding and actively responding to the needs of its stakeholders, thereby facilitating the sustainable development of both the Company and the stakeholders. Communication of the stakeholders of the Company is as follows:

Stakeholders	Appeals and Expectations	Responses
Government and regulatory authorities	<ul style="list-style-type: none"> Comply with the laws and regulations Implement national policies, promote social and economic development Carry out targeted poverty alleviation and support regional development 	<ul style="list-style-type: none"> Continually strengthen the compliance management of the Company and ensure legal and compliant operation Formulate and continuously optimize the strategic positioning, industrial direction and operation measures of the enterprise, ensure the conformance to the national policy guidance, the development of enterprises takes into account economic benefits and social benefits, and promote social and economic development Carry out targeted poverty alleviation and support regional development by means of industrial investment, personnel assignment and public welfare investment
Shareholders	<ul style="list-style-type: none"> Stable income and dividends Reduce investment risk Open and transparent information 	<ul style="list-style-type: none"> Conduct business operations properly, improve business performance, and maintain a stable dividend distribution policy Improve enterprise management and attach importance to risk identification and control Conduct compliant information disclosure, and pay attention to investor relations
Suppliers	<ul style="list-style-type: none"> Commence cooperation to achieve win-win situation Abide by the contract Promote development of industries 	<ul style="list-style-type: none"> Promote fair procurement to create a responsible supply chain Encourage suppliers to use new technologies, new materials and new processes, optimize the management mode, and jointly promote the development of the industry
Customers	<ul style="list-style-type: none"> High-quality service Maintain safe and smooth operation of roads Timely rescue and obstacle removal Comprehensive and timely road information Perfect road facilities 	<ul style="list-style-type: none"> Service feedback and establish public channels of complaints Improve traffic efficiency through technology and mode innovation Strengthen emergency rescue and attach importance to road safety management Release traffic information timely Strengthen road maintenance
Employees	<ul style="list-style-type: none"> Remuneration packages Room for development Training system 	<ul style="list-style-type: none"> Improve the salary performance system and carry out employee satisfaction survey Continuously Optimise the position system and assessment and promotion mechanism, and establish systems such as competitive recruitment for management positions and new employee guides Attach importance to career development training, expand online and offline training courses, establish academic education and incentive mechanism for technical titles, etc
Community	<ul style="list-style-type: none"> Environmental impact of highways Ethics in business operation Participate in community development Support public welfare undertakings 	<ul style="list-style-type: none"> Conduct project environmental impact assessment, planning and design properly Attach importance to the coordinated development with surrounding communities, open complaint channels, and timely and properly handle reasonable appeals Carry out targeted poverty alleviation and support regional development Conduct public welfare activities
NGO/Non-government environmental protection groups	<ul style="list-style-type: none"> Ensure reasonable utilisation of resources Protect the ecological environment 	<ul style="list-style-type: none"> Increase the utilisation rate of energy and resources Implement green operation and green office Enhance information disclosure regarding environmental protection

In 2022, the Company continued to communicate and interact with various stakeholders through different channels to create a mutually beneficial and win-win relationship and promote the sustainable development of the Company. For details of the Company's fulfillment of social responsibility for stakeholders during the Reporting Period, please refer to the chapter headed "Investor Relations" in this annual report as well as the Company's Environmental, Social and Governance Report 2022.

Report of the Directors

Compliance with Laws and Regulations

In 2022, the Group has complied with the relevant laws and regulations that exert a significant impact on its businesses. Pursuant to the disclosure requirements under the "Environmental, Social and Governance Reporting Guidelines" contained in Appendix 27 of the Listing Rules of the HKEx, the relevant details are set out as follows:

Principal laws/regulations	Systems/procedures established by the Company	Compliance measures
Highway Law of the People's Republic of China (《中華人民共和國公路法》) Measures on the Administration of Highway Project Quality (《公路工程質量管理辦法》) Inspection and Evaluation Quality Standards for Highway Engineering (JTG F80/1-2004) (《公路工程質量檢驗評定標準(JTG F80/1-2004)》) Highway Performance Assessment Standards (JTG H20-2007) (《公路技術狀況評定標準(JTG H20-2007)》)	Procedures for Engineering Quality Management (《工程質量管理規程》) Procedures for Construction Safety Management (《施工安全管理規程》) Manual for Standardized Management of Engineering Construction (《工程施工標準化管理手冊》) Manual for the Prevention of Common Quality Issues (《質量通病防治手冊》) Engineering Construction Organization Design Scheme (《工程施工組織設計方案》) Specifications for Supervision of Highway Projects (《公路工程監理規程》)	The Company has strictly implemented its systems and procedures. During the project management process, the Company treats contract management as the core and implements refined control over construction quality through measures such as system management, access management, construction procedure management, and standardised management. It implements quality management systems such as access management for equipment, access system for raw materials, owners' independent random inspection system, first construction recognition system, and trial construction system, so as to ensure the quality of its construction projects.
Regulations on the Administration of Toll Highways (《收費公路管理條例》) Highway Maintenance Technical Specifications (JTG H10-2009) (《公路養護技術規範(JTG H10-2009)》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) Standardised Basic Regulations on Production Safety of Highway Maintenance Department (《養護部門安全生產標準化基本規範》)	Technical Specifications and Acceptance Criteria for Daily Maintenance Works (《日常養護工程技術規範與驗收標準》) Manual for Project Management of Special Maintenance Works (《專項養護工程項目管理手冊》) Implementation Measures for Maintenance Work and Road Assets Management during the Defect Liability Period of Newly Constructed Highways (《新建公路缺陷責任期內養護、路產管理實施辦法》) Implementation Measures for Entrusted Management of Highway Maintenance Projects (《公路養護項目委託實施辦法》) Administrative Measures for Highway Maintenance Contracts (《公路養護合同管理辦法》) Safety Production Management Manual of Road Maintenance Department (《道路養護部安全生產管理手冊》) Investigation and Rectification System on Potential Hazards of Road Maintenance Department (《道路養護部隱患排查治理制度》)	The Company has been strictly adhering to the National Highway Maintenance Technical Specifications and Assessment Criteria, pursuant to which a mid-to-long term maintenance plan has been formulated on five-year bases. Routine inspections and regular professional inspections have been conducted to ensure the safety of structures such as bridges and tunnels. The Company has been closely monitoring the technical conditions of highways to identify and make corrections for highway damages as early as possible.
Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) Implementation of the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》)	Administrative Measures for Tendering and Bidding of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) Administrative Measures for Outsourcing and Management of Highway Construction (《公路工程施工分包管理辦法》) Measures for Tendering and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) Management Measures for Tendering and Bidding of Supervision over Highway Construction (《公路工程監理招標投標管理辦法》) Procedures for Project Tendering Management (《工程招標管理規程》) Procedures for Special Construction Technologies (《專用施工技術規程》) Management Measures for Documents of Contractors Engaging in Highway Maintenance (《公路養護承包商檔案管理辦法》) Controlling Process of Outsourcing Management (《外包管理控制程序》)	The Company has formulated and strictly adhered to the standards for special construction technologies in accordance with the regulatory requirements regarding qualification management, and tendering and bidding management. The Company has reviewed the qualification of potential contractors, strengthened its control over the quality of tender documents, and conducted regular evaluation, and established appraisal and assessment records for the constructors or contractors, with whom it cooperates, striving to select cooperation partners who can meet the requirements for qualification and project quality, and establish long term cooperation relationship with creditworthy partners.
Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》) Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) Opinions on Further Promoting Classification of Household Waste (《關於進一步推進生活垃圾分類工作的若干意見》) Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)	Monitoring and Management System for Third Parties (《第三方監測管理制度》) Operating Rules for Deodorisation (《除臭操作規範》) Operating Procedures for Sewage (《污水操作規程》) Operating Procedures for the Desulphurization System (《脫硫系統操作規程》) Regulations on Maintenance of Pre-processing Equipment (《預處理設備維修規範》) Regulations on Maintenance of Anaerobic Gas and Methane Equipment (《厭氧沼氣設備維修規範》) Management System of Equipment (《設備管理制度》) Management System of Production Sites (《生產現場管理制度》) Operation Guide on Analysis of Operating Data of Wind Turbine (《風機運行數據分析作業指導書》) Management System of Safety and Production (《安全及生產管理制度》) Management System of Equipment Abnormality (《設備異常管理制度》) Management System of Technical Transformation (《技術改造管理制度》) Management System of Special Projects (《專項工程管理制度》) Monitoring and Management System of Techniques (《技術監督管理制度》)	In accordance with requirements of the relevant laws and regulations on environmental protection, the Company has formulated the corresponding operating rules and management systems, coupled with the establishment of facilities and equipment of environmental protection with stringent management, to ensure effective operation of such facilities and equipment of environmental protection. The Company has also monitored the emission and treatment of all types of waste in strict compliance with the requirements of pollutant discharge and environmental impact assessment to ensure compliance with the standards. In strict compliance with the technical regulations and evaluation standards issued by the PRC on the recycling and treatment of solid waste, the Company has formulated the technical standards and operating procedures in respect of harmless treatment and landfilling of inorganic waste, as well as resource recovery of kitchen waste for recycling, with a view to improving the treatment effect and reducing waste through active research and development of innovative technologies and techniques. In strict compliance with the technical parameters and standards issued by the PRC on wind turbine manufacturing, the Company has secured compliance with the requirements of national regulations in respect of the technical standards and equipment installation of wind turbines. The Company has also secured safe production by strictly implementing the systems and procedures, refining the safe production system, and carrying out investigation and rectification by levels on potential hazards in a strict manner.

Report on Corporate Social Responsibility

In March 2023, the management of the Company submitted to the Board the "Environmental, Social and Governance Report 2022", which focuses on the responsibility and practices of the Company in relation to environment, products, customers, employees, communities and other aspects. Details of the environment, society and corporate governance performance of the Group in 2022 are set out in the "Environmental, Social and Governance Report 2022", which can be accessed and downloaded on the websites of SSE (<http://www.sse.com.cn> (in Chinese), the HKEx (<http://www.hkexnews.hk> (in both Chinese and English) and the Company (<http://www.sz-expressway.com>) under the section of "Environment, Society and Governance" of "Investor Relations". Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in note V16 and 19 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in note V32, 33 and 34 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes VII and V13 to the Financial Statements in this annual report respectively.

Directors, Supervisors and Senior Management (hereinafter referred to as the "Management")

- (1) Information of the Management and changes in the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.
- (2) Details of the remuneration received by the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" and note X5 to the Financial Statements in this annual report.
- (3) Service contracts:

Each of the Directors of the ninth session of the Board has entered into a director's service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Executive Director Hu Wei was effective from 1 January 2021 to 1 December 2022. The service contract of Non-executive Director Chen Hai Shan was effective from 1 January 2021 to 30 June 2022. The service contract of Non-executive Director Lü Da Wei is effective from 30 June 2022 to 31 December 2023. The service contracts of other Directors are effective from 1 January 2021 to 31 December 2023. Save as the aforesaid, no service contracts that can be terminated within one year with compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

Report of the Directors

(4) Interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or any of its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, or had any significant conflict of interests, whether directly or indirectly, nor any of the aforesaid contracts still subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

None of the Management has any conflict of interests in any contract or arrangement entered into by any member of the Group or any contract or arrangement which subsists at the date of this annual report and which is significant to the businesses of the Group.

(5) Loans provided to senior management:

During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Management of the Company and its controlling shareholder(s) or their respective connected persons.

(6) Rights to subscribe for shares or debentures:

As at 31 December 2022, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of the Securities and Futures Ordinance (including interests and short positions deemed or taken to have under such provisions of the Securities and Futures Ordinance) or which were required to be notified to the Company and the HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2022	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of the Company	Nature of interests	Capacity
Liao Xiang Wen ⁽³⁾	19,545	+1,985	0.001%	Family interests	Beneficial owner

Interests in share option of Shenzhen International:

Name	Options	Number of shares options unexercised as at 31 December 2022 ⁽¹⁾⁽²⁾	Change during the Reporting Period			Nature of interests Nature	Capacity	
			Adjustment during the Reporting Period	Granted during the Reporting Period ⁽²⁾	Exercised			Lapsed
Liao Xiang Wen	Share option scheme 1 ⁽³⁾	-	-	-	-	-496,640	Family interests	Beneficial owner
	Share option scheme 2	-	-	-	-	-304,695	Personal	
Lin Ji Tong	Share option scheme 1	-	-	-	-	-408,030	Personal	Beneficial owner

Note:

- (1) The share option scheme 1 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision. Such share options expired on 26 May 2022.
- (2) The share option scheme 2 was granted on 18 May 2020 and could be exercised during the period from 18 May 2020 to 25 May 2022 pursuant to the grant provision. Such share options expired on 26 May 2022.
- (3) The interests are owned by the spouse of Liao Xiang Wen, a Director of the Company.

Saved as disclosed herein, as at 31 December 2022, none of the Directors, Supervisors or the Chief Executive had any interests or short positions defined above.

Equity-linked Agreement

There were no equity-linked agreements entered into by the Company and any of its subsidiaries.

Permitted Indemnity Provisions for Directors and Supervisors

As at 31 December 2022, the Company has permitted indemnity provisions to provide certain protection against potential liabilities arising from legal proceedings to which the Directors and Supervisors respectively may be exposed through the Directors', Supervisors' and Officers' liability insurance purchased, details of which are set out in the "Corporate Governance Report"/C.1 The responsibilities of Directors.

Progress of the Issuance of Corporate Bonds

Pursuant to the approval by the CSRC, the Company is entitled to issue corporate bonds with nominal value not exceeding RMB5 billion to qualified investors by way of public issuance. The issue of phase I of the 2022 corporate bonds (the "22SE01 Bonds") has been completed by the Company on 20 January 2022. The actual issuance size thereof is RMB1.5 billion and the coupon rate is 3.18%. The bonds have a term of 7 years, with an issuer option to adjusted coupon rate option and an investor callback option at the end of the 5th year. For details of the 22SE01 Bonds, please refer to the announcements of the Company dated 17 January, 18 January and 20 January 2022, respectively.

Pursuant to the "Notice of Acceptance of Registration" of Zhongshi Xie Note [2020] No. SCP704 issued by the National Association of Financial Market Institutional Investors, the Company may, within 2 years of the signing date of the "Notice of Acceptance of Registration", issue ultra-short-term financing bonds in a principal amount of no more than RMB2 billion. The Company issued the phase I of 2022 ultra-short-term financing bonds on 9 March 2022, with an issuance size of RMB1 billion, a maturity of 180 days and a coupon rate of 2.12%. For details, please refer to the announcements of the Company dated 7 March and 9 March 2022, respectively.

Pursuant to the "Notice of Acceptance of Registration" of Zhongshi Xie Note [2020] No. SCP136 issued by the National Association of Financial Market Institutional Investors, the Company may, within 2 years of the signing date of the "Notice of Acceptance of Registration", issue ultra-short-term financing bonds in a principal amount of not more than RMB2 billion. The Company issued the phase II of the 2022 ultra-short-term financing bonds on 1 June 2022, with an issuance size of RMB1 billion, a maturity of 270 days and a coupon rate of 2.00%. For details, please refer to the announcements of the Company dated 31 May and 2 June 2022, respectively.

Pursuant to the "Approval for Consent to the Registration of Public Issuance of Green Corporate Bonds to Professional Investors by Shenzhen Expressway Corporation Limited" (CSRC Approval [2022] No. 559) issued by the CSRC, the Company may publicly issue green corporate bonds with total nominal value not exceeding RMB4.1 billion to professional investors in multiple tranches, the registration is valid until 17 March 2024. As at the end of the Reporting Period, such bonds had not yet been issued. For details, please refer to the announcement of the Company dated 28 March 2022.

Report of the Directors

According to the “Notice of Acceptance of Registration” of Zhongshi Xie Note [2020] SCP704 and Zhongshi Xie Note [2020] SCP136 issued by the China Association of Interbank Market Dealers, The Company issued the phase III and phase IV of 2022 ultra-short-term financing bonds on 31 August 2022 respectively, with an issuance size of RMB0.5 billion, a maturity of 270 days and a coupon rate of 1.72%. For details, please refer to the announcements of the Company dated 30 August and 1 September 2022, respectively.

Termination of Absorption and Merger, and Capital Injection into Coastal Company

In order to streamline its management structure, give full play to the economic efficiency of asset integration, the second extraordinary general meeting of the Company held on 29 September 2020 approved the Company absorption and merger of Coastal Company. The Company completed the absorption and merger of Jihe East Company in 2021, realising the goal of cost reduction and efficiency improvement. In January 2022, the Company completed the transfer of the acquired 100% equity interests in SIICHIC, and thus indirectly holds approximately 71.83% of the shares of Bay Area Development. To integrate toll expressway assets and provide supports to Bay Area Development, the Company signed a “Memorandum of Understanding” with Bay Area Development on 7 March 2022, where the Company intends to have Bay Area Development hold 51% equity interests in Coastal Company. To realise the above asset integration, the Company held a board meeting on 1 August 2022, deliberating and adopting the proposal to terminate the absorption and merger of Coastal Company. This matter was approved by an extraordinary general meeting of the Company on 18 August 2022. For details, please refer to the announcements dated 13 August, 29 September 2020, and 7 March, 1 August and 18 August 2022 of the Company. The Company, Coastal Company and Shenzhen Bay Infrastructure, a holding subsidiary of Bay Area Development, entered into a capital increase agreement with effective conditions on 18 August 2022. Pursuant to the agreement, Shenwan Infrastructure intends to subscribe for approximately RMB2.914 billion of the increased registered capital of Coastal Company at RMB2.998 billion, of which approximately RMB84 million will be included in the capital reserve of Coastal Company. Shenwan Infrastructure will directly hold a 51% enlarged equity interest in Coastal Company upon completion of the capital increase, and the Company's equity interest in Coastal Company will be reduced from 100% to 49%. As the Company holds 71.83% equity interest in Bay Area Development, the Company will remain the holding company of Coastal Company after the capital increase. For details, please refer to the announcement dated 18 August 2022 of the Company. This capital increase was approved by the general meeting of Bay Area Development on 13 October 2022, and the relevant equity transfer and business change procedures were completed on 30 November 2022.

Termination of the Concession Period of Wuhuang Expressway

The Concession period of Wuhuang Expressway which wholly-owned by Magerk Company, a wholly-owned subsidiary of the Company, expired at 24:00 on 10 December 2022. According to the administrative confirmation decision of the Hubei Provincial Department of Transport, Wuhuang Expressway conforms to the approved technical grade and standard, and the transfer procedure may be handled. Magerk Company has transferred Wuhuang Expressway pursuant to the provisions and requirements of the traffic control authorities, and is no longer responsible for the maintenance, operation and management of the Wuhuang Expressway after the expiry date. For details, please refer to the announcement dated 9 December 2022 of the Company.

Connected Transactions

(1) Material Transactions and Connected Transactions

On 10 August 2021, upon the approval of the Board, the Company, Mei Wah Company, SIHC and SIICH entered into relevant agreements, pursuant to which Mei Wah Company shall be transferred 100% equity interests of SIICHIC held by SIICH at a price of approximately HKD2.45 billion (thus indirectly holding approximately 71.83% of the shares of Bay Area Development) under a non-disclosure agreement, in consideration of settlement of the indebtedness of SIICHIC, amounting to approximately HKD7.89 billion, and shall assume the tax charges to be incurred thereon as well as the obligation of making up the shortfall. The Company expected that the aggregate cost of acquiring SIICHIC will not exceed HKD10.479 billion. As Shenzhen International indirectly owns approximately 51.561% interests of the Company, while SIHC is the controlling shareholder of Shenzhen International, holding approximately 43.49% of the issued share capital of Shenzhen International indirectly at the time of the transaction. Pursuant to the Listing Rules of the HKEx/the Listing Rules of SSE, SIHC and SIICH are connected persons of the Company, and the above transactions constitute a connected transaction of the Company. Such transaction has been approved at the general meeting of the Company and Shenzhen International respectively and has completed the relevant equity transfer on 11 January 2022, and SIICHIC is now a wholly-owned subsidiary of the Company. For details, please refer to the relevant contents in the announcements dated 15 March, 14 April, 22 July, 10 August, 10 December 2021, and 11 January 2022 respectively and the circular dated 24 November 2021 of the Company.

(2) Connected Transactions

The Company and Vanke Group hold 34.3% and 65.7% equity interests in United Land, respectively. As the Meilin Checkpoint Renewal Project developed by United Land is drawing to a close, in accordance with laws and regulations and considering the future capital demand of United Land, the Company and Vanke Group first convert the capital reserve of RMB2.686 billion of United Land into paid-in capital to RMB3.4 billion, and then reduce the registered capital of United Land by RMB3.3 billion based on their respective proportion of equity interests, of which the capital reduction amount of the Company is RMB1.1319 billion. Upon the capital reduction, the Company and Vanke Group will maintain their proportion of equity interests in United Land at 34.3% and 65.7% ("the Capital Reduction") respectively. As United Land was a subsidiary of Shenzhen International, the controlling shareholder of the Company, in the past 12 months. According to the Listing Rules of SSE and relevant stipulations, United Land is a connected legal person of the Company, and the capital reduction constitutes a connected transaction of the Company. The Company convened the Board meeting on 22 June 2022, which considered and approved the "Proposal of Capital Reduction in United Land". The relevant procedures for this Capital Reduction have been completed in August 2022. Through the capital reduction, the Company is able to recover capital quickly, avoid idling fund, improve comprehensive fund utility and decrease the debt to asset ratio of the Group. For details, please refer to the announcement dated 22 June 2022 of the Company.

Report of the Directors

On 22 June 2022, the Company and United Land signed the transaction agreement as approved by the Board. Pursuant to the agreement, the Company purchase 170 Shenzhen International – Vanke Hesongxuan apartments from United Land, with a total transaction price of RMB353,673,000 (taxes and fees excluded). The property will be used as temporary housing for employees of the Group instead of commercial property operation. As United Land was a subsidiary of Shenzhen International, the controlling shareholder of the Company, once in the past 12 months, according to the Listing Rules of SSE and relevant stipulations, United Land is a connected legal person of the Company, and this transaction constitutes a connected transaction. The transaction was completed in June 2022. For details, please refer to the announcement dated 22 June 2022 of the Company.

On 10 November 2022, Financial Leasing Company, a wholly-owned subsidiary of the Company, entered into a “Maximum Amount Credit Contract” with Shen'an Port, where Financial Leasing Company proposed to grant a loan of not more than RMB100 million to Shen'an Port for one year, and both parties would carry out financial leasing operations for port equipment in the west wharf (Phase 1) of the Shenqiu port area of the Zhoukou Port funded and constructed by Shen'an Port for a lease term of not more than 108 months, and with a lease rate of 5.30% and an expected total transaction amount of not more than RMB130 million. Since the Company's controlling shareholder Shenzhen International holds 40% equity in Shen'an Port, is the largest shareholder of the latter, and is able to decide on the election of over half of the directors of the latter, pursuant to the Listing Rules of the HKEx/the Listing Rules of SSE, Shen'an Port is a connected person of the Company, this transaction constitutes a connected transaction of the Company. This transaction will help Financial Leasing Company to expand the scale of its main businesses, and receive reasonable revenues and returns while controlling risks, and improve its business performance in future years. This transaction will have no material impact on the operating results and financial position of the Group. For details, please refer to the announcement dated 10 November 2022 of the Company.

(3) Further Disclosure Made Pursuant to the Listing Rules of the HKEx

Save as the above-mentioned, the transactions with related parties set out in note X15 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions exempt from reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of the HKEx or do not constitute a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules of the HKEx. The Company does not have any other matters that need to be disclosed in accordance with Chapter 14A of the Listing Rules of the HKEx.

(4) Credits and Liabilities with Related Parties (as defined in the relevant PRC regulations)

As of the Reporting Date, the Company does not have any non-operating capital occupation by its controlling shareholder or other related parties. The auditor of the Company has issued a specific report in relation to the statement of fund embezzlement by the controlling shareholders and other related parties prepared by the Company in accordance with the relevant requirements.

Other Major Transactions

On 13 May 2022, upon consideration and approval by the Board, the Company decreased capital to Coastal Company, a wholly-owned subsidiary of the Company, by RMB3.8 billion. Upon completion of capital decrease, the registered capital of Coastal Company is RMB2.8 billion and the Coastal Company remains a wholly-owned subsidiary of the Company. Through Capital Reduction, the Company will be able to recover surplus fund from Coastal Company, optimize the capital structure of the invested enterprise, improve the general capital efficiency and decrease the comprehensive financial costs of the Group. For details, please refer to the announcement dated 13 May 2022 of the Company.

With the approval of the Board, the Company entered into a PPP project contract under the Jihe Expressway Reconstruction and Expansion Project with the Shenzhen Transport Bureau on 30 September 2022. The Company entered into investment cooperation and joint construction agreements 1 and 2 with Shenzhen Special Economic Zone Construction & Development Traffic Investment Co., Ltd. on 13 and 24 October 2022, respectively. According to the above contract and agreements, the Company plans to invest approximately RMB12.987 billion from its own funds as the project capital in the Jihe Expressway Reconstruction and Expansion Project. Afterwards, the Shenzhen Municipal Government intends to adjust the implementation plan of the Jihe Expressway Reconstruction and Expansion Project, and adjust the investment and financing plan accordingly, and the adjustment scheme is being studied and verified. For details, please refer to the announcement dated 30 September, 13 October, 20 October, 24 October and 2 December 2022 of the Company, respectively.

Management Contract

Pursuant to a contract dated 7 June 1995 and the subsequent amendments, Magerk Company entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of its ancillary facilities to Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or the contractor whom it may designate from time to time (now being Hubei Provincial Communications Investment Group Co., Ltd. (湖北交通投資集團有限公司)), throughout the operating period of Wuhuang Expressway. The entrusted management service was charged at a fee which is proportional to the toll revenues on a fixed basis. The aforesaid matters were disclosed in the relevant announcements and circulars of the Company in relation to the acquisition of equity interests in Wuhuang Expressway by the Company.

The concession period of Magerk Company expired at 24:00 on 10 December 2022. Magerk Company has handled the handover Wuhuang Expressway pursuant to the provisions and requirements of the transport authority of Hubei Province.

As of 10 December 2022, the entrusted management fees recognized for Magerk Company were RMB94,299,000. In 2022, Magerk Company achieved operating profit of RMB118,304,000, representing approximately 4.76% of the Group's operating profit, and recorded a net profit of RMB79,259,000, representing for approximately 3.94% of the net profit attributable to owners of the Company. This aforesaid management contract has no significant impact on the operating results and financial position of the Group.

Report of the Directors

External Guarantees

Unit: RMB million, unless otherwise specified

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
Guizhou Property ⁽²⁾	Customers of Shenzhen Expressway • Interlaken Town	460.23	2016-01 to 2022-06	Effective date of mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee ⁽²⁾	No	No ⁽²⁾	No	No
Sherwan Infrastructure ⁽⁴⁾	Xintang JV	93.48	2021-12-17 to 2022-12-31	2021-12-17	3 years after the expiry date of the debt performance period under the contract	Joint liability guarantee	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										-704.42
Total balance of guarantees as at the end of the Reporting Period (A)										553.70
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										3,898.85
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										4,945.07
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A + B)										5,498.78
Proportion of total amount of guarantees to the net assets of the Company (%)										25.76
Including:										
Amount of guarantees for shareholders, de-facto controllers and their related parties (C)										-
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										2,598
Amount of the guarantees that exceed 50% of net assets in aggregate (E)										-
Total amount of the above three guarantees (C+D+E)										2,598
Description on unexpired guarantees may be confronted with joint liability										Please refer to points (2) and (4) in description below

Description on guarantees:

- (1) The provision of periodical joint liability guarantees by Guizhou Property, a controlling subsidiary of the Company, to qualified mortgage customers of “Shenzhen Expressway • Interlaken Town (The project is now renamed as “Shenzhen Expressway • Leisure Villa”) project in accordance with the business practices of the real estate industry have been considered and approved by the 4th meeting of the 7th session of the Board held on 30 June 2015, the 27th meeting of the 7th session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018. It is expected the total amount of guarantees will not exceed RMB1.55 billion. During the Reporting Period, Guizhou Property provided periodic guarantees for 77 customers with an accumulated amount of RMB52,000,000 and the periodic guarantees with an amount of RMB45,351,000 provided in the prior periods had been released during the Reporting Period. As at the end of the Reporting Period, the remaining amount of the guarantees provided by Guizhou Property is RMB460,225,000.
- (2) Before Bay Area Development was controlled by the Company through acquisition, its wholly-owned subsidiary, Shenzhen Bay Infrastructure, provided approximately RMB225 million of shareholders’ credit of guarantee for the bank loans of Zhentong Industrial, an associated enterprise of which it held 15% of equity interests, and the warranty term was to expire three years after the expiry date of borrowing term under the borrowing contract signed between the guaranteed party and the bank. Zhentong Industrial signed with the bank on 17 December 2021, a contract for the first borrowing, and by the end of the reporting period, the balance of the bank borrowing as calculated by the shareholder percentage is approximately RMB93,479,000.
- (3) The Company has not provided any external guarantee in violation of the stipulated decision-making procedures.
- (4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

Authorisation of Guarantee and Guarantees for Subsidiaries of the Company

(1) Authorisation of Guarantee

The Company’s 2020 annual general meeting held on 17 May 2021 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB4.0 billion in aggregate, and not more than RMB2.5 billion in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers’ letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2021 annual general meeting. Subsequently, the 2021 annual general meeting held on 30 June 2022 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB3.0 billion in aggregate, and not more than RMB7.0 billion in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers’ letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2022 annual general meeting.

Report of the Directors

(2) Guarantees for Subsidiaries of the Company

As at the end of the Reporting Period, the guarantees for subsidiaries of the Group are as follows:

Unit: RMB million

External guarantees of the Company (guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Maximum amount of guarantee	Actual balance of guarantees	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not
Environmental Company	Guangxi Bioland	149.92	133.17	2021/8/3	2021/8/3	2 years after the expiry date of debt performance period	Joint liability guarantee	No	No	Yes
The Company	Outer Ring Company	300	-	2021/8/25	2021/8/25	3 years after the maturity date of discounted bills	Joint liability guarantee	No	No	No
The Company	Investment Company	350	117.90	2021/9/13	2021/9/13	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
Bioland	Fuzhou Bioland	60	60	2021/9/15	2021/9/15	2 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
The Company	Investment Company Note 2	450	-	2021/11/18	2021/11/18	3 years after the expiry date of debt performance period	Joint liability guarantee	Yes	No	No
Bioland	Guangxi Bioland	30	18	2021/12/24	2021/12/24	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
Bioland	Gulin Bioland	100	90	2021/12/24	2021/12/24	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
Bioland Note ¹	Beihai Zhonglan	66.8	60	2021/12/29	2021/12/29	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
Bioland Note ¹	Zhuji Bioland	130	31.63	2021/12/29	2021/12/29	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
The Company	Outer Ring Company	1,400	-	2022/1/12	2022/1/12	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
The Company	Guangming Environmental	600	150.79	2022/4/1	2022/4/1	3 years after the maturity date of discounted bills	Joint liability guarantee	No	No	No
The Company	Guangming Environmental	46.16	46.16	2022/7/21	2022/7/21	Expiry date of limitation of action of advance claim	Joint liability guarantee	No	No	No
The Company	Shenzhen Bay Infrastructure	1,798	1,798	2022/11/8	2022/11/8	3 years after the expiry date of debt performance period	Joint liability guarantee	No	No	No
Bioland Note 3	Various project subsidiaries in which the Company invested prior to its acquisition of Bioland Company	540.33	313.43	-	2014/7/21	Upon expiration of the debt performance period, as required in the agreement	Joint liability guarantee	No	No	No
Bay Area Development Note 4	SIHC Bay Area Finance Limited	2,602	2,126	2020/1/17	2020/1/17	Upon expiration of the debt performance period, as required in the agreement	Joint liability guarantee	No	No	No
Total		/	4,945.07	/	/	/	/	/	/	/

As at the end of the Reporting Period, based on the financing amount of holding subsidiaries, the total amount of guarantees actually provided by the Company to its holding subsidiaries was RMB4,945,071,600, including the balance of guarantees provided by Bioland, a holding subsidiary of the Company, prior to its acquisition by the Company, amounting to RMB313,429,800 (all guarantees provided by Bioland to its holding subsidiaries), and the balance of guarantees provided by Bay Area Development prior to its acquisition by the Company, converting to RMB2,125,982,600 (HK\$2.38 billion of guarantees by Bay Area Development for its subsidiaries, converted according to the RMB-HK\$ central parity rate published by the People's Bank of China on 30 December 2022, i.e., HK\$100: RMB89.327). There is no overdue guarantee in the above guarantees. For details, please refer to the announcements of the Company dated 3 August, 25 August, 13 September, 15 September, 19 November, 24 December and 30 December 2021, and 12 January, 1 April, 21 July and 8 November 2022, and 6 January 2023, respectively.

Note 1: The Company's the 15th meeting of the ninth session of the Board held on 22 December 2021 considered and passed the "Proposal on the Guarantees of Bioland Company for the Financing of its Non-wholly-owned Subsidiaries", and the Board agreed that Bioland would provide guarantees for the financing of its holding subsidiaries, Beihai Zhonglan, Zhuji Bioland and Chuzhou Bioland. Up to the Reporting Date, Chuzhou Bioland has not yet incurred any financing. For details, please refer to the announcement of the Company dated 22 December 2021.

Note 2: Guarantees provided by the Company for the financing limit of RMB450 million of Investment Company, a wholly-owned subsidiary. The bank loans expired on 23 August 2022, Investment Company has discharged all loans, and the guarantee obligation of the Company has been fully released.

Note 3: The guarantees provided by Bioland, holding subsidiary of the Company, before being acquired by the Company. All guarantees are provided by Bioland for its subsidiaries.

Note 4: Guarantees provided by Bay Area Development, holding subsidiary of the Company, for its subsidiaries before being acquired by the Company.

Report of the Directors

Mortgage and Pledge of Assets

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged please refer to Section of "Financial Analysis" (III)\3 "Major Assets Restricted as of the End of the Reporting Period" in the Section Management Discussion and Analysis in this report.

Entrusted Wealth Management

Unit: '000 Currency: RMB

Partner name	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date	Maturity date	Method for determining revenue	Expected revenue	Actual recovery of principal amount	Actual revenue	Whether statutory procedures have been performed	Provision for impairment	Connected transaction or not	Involved in litigation or not	Sources of fund and whether financed by proceeds raised	Related relationship
China Construction Bank Shenzhen Branch	Structured deposits	259,000	13 May 2022	12 July 2022	Expected rate of return	1,881.83	259,000	1,881.83	Yes	-	No	No	No	No
China Construction Bank Shenzhen Branch	Structured deposits	259,000	15 July 2022	13 September 2022	Expected rate of return	1,881.83	259,000	1,881.83	Yes	-	No	No	No	No
Chinese Mercantile Bank	Structured deposits	250,000	28 September 2022	25 November 2022	Expected rate of return	1,152.05	250,000	1,152.05	Yes	-	No	No	No	No
China Construction Bank Shenzhen Branch	Structured deposits	250,000	13 October 2022	22 November 2022	Expected rate of return	958.90	250,000	958.90	Yes	-	No	No	No	No
Chinese Mercantile Bank	Structured deposits	225,000	28 November 2022	6 February 2023	Expected rate of return	622.48	-	-	Yes	-	No	No	No	No
China Construction Bank Shenzhen Branch	Structured deposits	225,000	25 November 2022	17 January 2023	Expected rate of return	776.71	-	-	Yes	-	No	No	No	No
China Construction Bank Shenzhen Branch	Structured deposits	450,000	6 December 2022	6 March 2023	Expected rate of return	3,661.64	-	-	Yes	-	No	No	No	No
Cumulative amount of principal and revenue overdue (RMB)						-								-
Description of entrusted wealth management	As approved by the Board of the Company, subject to the condition that both safety and liquidity of capital reserve can be assured, the Group invested part of the funds in monetary funds, wealth management products issued by banks, financial products for financing purposes issued by holding enterprises within the Shenzhen SASAC system and other types of wealth management products. During the Reporting Period, the Group has entered into new 7 transaction of structured deposit wealth management products, with the amount entrusted to the Group amounting to RMB1.918 billion. As at the end of the Reporting Period, the balance of the wealth management products of the Group was RMB0.9 billion and the expected income from entrusted wealth management for the Reporting Period was RMB10,935,440 (including tax) with no overdue principal and income.													

Other Agreements and Matters

Save as disclosed in this report, the Company did not enter into any contract in respect of the management or administration of its overall business or any material business or had any such contract subsisting, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

During the Reporting Period, there was no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganisation in connection with the Company, nor was there any implementation of share option incentive scheme. In addition, there was no such prior matter subsisting during the Reporting Period. As at the end of the Reporting Period, the Group is involved in certain litigations and arbitrations, which will not have significant impact on the daily operations of the Company. As at the end of the Reporting Period, the major outstanding and concluded litigations and arbitrations during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Plaintiff (applicant)	Defendant (Respondent)	Party with joint liability	Type of litigation (arbitration)	Basic information of the litigation (arbitration)	Amount involved in litigation (arbitration)	Whether litigation (arbitration) forms any predicted liability and its amount	Progress of litigation (arbitration)	Results of litigation (arbitration) and effects	Execution of judgment of litigation (arbitration) judgment
Guizhou Xinhelife Real Estate Development Co., Ltd.	Guishen Company, Guizhou Property	-	Litigation	Equity transfer contract disputes	122,843.7	Not formed	Concluded	On 6 May 2022, the court rejected the appeal of Guizhou Xinhelife Real Estate Development Co., Ltd.	No enforcement
Juye Changguang Wind Energy Co., Ltd.	Nanjing Wind Power	-	Litigation	Purchasing contract disputes	109,525.6 (Counterclaim for 26,250 and liquidated damages)	Not formed	Concluded	On 21 July 2022, Nanjing Wind Power received the judgment from the Nanjing Intermediate People's Court: Juye Changguang shall withdraw its claims and Nanjing Wind Power shall withdraw its counterclaims. The case was closed already.	No enforcement
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Arbitration	Dispute over purchase contract	101,080.7 (counterclaim 30,000)	Not formed	In the arbitration	On 6 January 2023, both parties signed an agreement. Some remaining loans under this case totalling RMB30,000,000 are to be confirmed through arbitration.	CRRC Wind Power Ltd. has paid approximately RMB67,000,000 to Nanjing Wind Power according to the agreement.
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Litigation	Dispute over purchase contract	40,138.0 (counterclaim 47,656)	Not formed	In enforcement	The judgment of the first instance was given on 20 June 2022: (1) CRRC Wind Power (Shandong) Co., Ltd. shall pay to Nanjing Wind Power RMB32,725,000 in purchase price and penalties; (2) Nanjing Wind Power shall pay CRRC Wind Power (Shandong) Co., Ltd. RMB703,000 in penalty for overdue delivery. On 13 October 2022, the Company received the second instance judgment. The first instance judgment complies with the legal provisions, the appeal of CRRC Wind Power (Shandong) Co., Ltd. was rejected, and the original judgment was affirmed.	CRRC Wind Power (Shandong) Co., Ltd. has paid approximately RMB33,000,000 to Nanjing Wind Power.
Wuchuan Heavy Construction Co., Ltd.	Construction Company	-	Arbitration	Dispute over purchase contract	45,914.9	Not formed	Concluded	On June 2022, Shenzhen Guangshen Coastal Expressway Investment Company Limited shall pay RMB1,653,800 in engineering accounts payable, while all other arbitration claims are rejected.	Enforcement completed
Yonker Environmental Protection Co., Ltd.	Guangxi Bioland, Bioland	-	Litigation	Construction contract disputes of construction project	51,757.8 (counterclaim 50,000)	Not formed	In the second instance	On 14 December 2022, the first instance judgment was received from the Nanning Intermediate People's Court, Guangxi Zhuang Autonomous Region: (1) Guangxi Bioland shall pay Yonker Environmental Protection the project payment of RMB19,585,474.83 and its interests; (2) Yonker Environmental Protection shall pay the losses of RMB1,500,000 arising from the delay in construction progress to Guangxi Bioland; (3) The other claims of Yonker Environmental Protection are rejected.	The first instance judgment, both plaintiff and defendant file an appeal
Nantong Sijian Construction Group Co., Ltd.	Taizhou Bioland	-	Litigation	Construction contract disputes of construction project	51,326.9 (counterclaim 1,408)	Not formed	In the first instance	-	In the first instance
Xinqing Environmental Technology (Lianyungang) Co., Ltd.	Nanjing Wind Power	-	Litigation	Contract disputes	150,743.2 (counterclaim 52,426.93)	Not formed	In the first instance	-	In the first instance

Report of the Directors

Undertakings

Background of undertaking	Type of undertaking	Undertaking party	Undertaking details	Time of undertaking	Term of fulfillment or not	Whether fulfilled timely and strictly or not
Undertakings made in Acquisition Report or Report on the Changes in Equity Interests	Others	Shenzhen International/ Shenzhen International Holdings(SZ) Limited	Undertake to avoid peer competition and regulate connected transactions. For details, please refer to Detailed Report on the Changes in Equity Interests (詳式權益變動報告書) published on 18 October 2007 in the securities market of the PRC by undertaking parties or related contents in the Annual Report 2007 of the Company.	October 2007	No	Yes
	Others	Shenzhen International	1. Undertook to perform such matters as avoiding peer competition and regulating connected transactions made in October 2007. 2. Unless approved by the Board of the Company, and approved by the Independent Directors of the Company in writing, Shenzhen International will not engage directly or indirectly any business in peer competition with the Company's core businesses alone or together with any other individual or company, unless otherwise agreed on between both parties. For details, please refer to the Acquisition Report published by SIHC on 4 January 2011 in the securities market of the PRC and the announcement of the Company dated 1 June 2011.	December 2010	No	Yes
	Others	SIHC	To avoid peer competition, SIHC has made the following undertaking: 1. It has not engaged directly or indirectly in any business that constitutes or may constitute substantial competition with the Group's businesses, and has not invested in any other enterprise that constitutes or may constitute substantial competition with the Group's products or businesses. 2. Unless approved by the Board of the Company, and approved by the Independent Directors of the Company in writing, SIHC will not engage directly or indirectly any business in peer competition with the Company's core businesses alone or together with any other individual or company, unless otherwise agreed on between both parties. For details, please refer to the Acquisition Report published by SIHC on 4 January 2011 in the securities market of the PRC and the announcement of the Company dated 1 June 2011.	December 2010	No	Yes
Commitment letter	Others	Shenzhen International	1. Take the Company as the only platform for the final integration of the expressway business of Shenzhen International; 2. Will perform all undertakings to support the Company's development. 3. Shenzhen International undertakes to inject the expressway business assets owned by it into the Company in the next 5-8 years when the relevant conditions are met to promote the Company's sustainable and stable development.	June 2011	No Yes	Yes
Commitment letter	Others	SIHC	1. Take the Company as the only platform for the final integration of the expressway business of SIHC; 2. SIHC will perform all undertakings to support the Company's development. 3. SIHC undertakes to inject the expressway business assets owned by it into the Company in the next 5-8 years when the profitability of relevant assets improves and the relevant conditions are met, thereby eliminating horizontal competition between the Company and SIHC and to promote the sustainable and stable development of the Company.	May 2021	No Yes	Yes
Undertakings related to IPO	Avoidance of peer competition	XTC Company/SGH Company	The undertaking parties will not engage in any industry or business in any way which, directly or indirectly, competes with the Company in Shenzhen.	January 1997	No	Yes

Notes: On 29 December 2017, Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), a subsidiary of SIHC (as the purchaser), SIHC (as the guarantor of the purchaser) and Anber Investments Limited (as the vendor) and Hopewell Holdings Limited (as the guarantor of the vendor) entered into an agreement in relation to the proposed acquisition of interests in Hopewell Highway Infrastructure Limited ("HHI"). Upon completion of the general offer and placing, SIHC owned 71.83% equity interests in HHI as at 18 September 2018. HHI is a Hong Kong listed company, which, together with its subsidiaries, is principally engaged in the construction of highway infrastructure in Guangdong Province and currently owns interests in Guangzhou-Shenzhen Expressway and Guangdong Guangzhou-Zhuhai West Expressway. HHI was renamed as Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") on 14 June 2019.

Prior to the entering into of the abovementioned agreement, SIHC had enquired the Company as to whether it consider acting as the acquirer in the abovementioned acquisition without disclosing the name of the target company. Based on the business of the target company and various conditions, such as the scale and completion timeframe of the acquisition, as provided by SIHC, the Company was of the view that it was impracticable and incapable to proceed with the acquisition and the Company intended to give up such acquisition opportunity. Upon receiving the relevant report, the Board (including the independent non-executive Directors) concurred with the Company's decision not to proceed with the acquisition. In the event that SIHC completes the said acquisition, SIHC further indicated that it will perform its obligations under the non-competition undertaking, timely negotiate with the Company on the detailed arrangement on the business of the target company and properly settle the matters in accordance with the existing undertaking.

On 10 August 2021, the Company, Mei Wah Company, SIHC and SIICH entered into relevant agreements, pursuant to which Mei Wah Company shall be transferred 100% equity interests of SIICHI held by SIICH at a price of approximately HKD2.45 billion under a non-disclosure agreement, in consideration of settlement of the indebtedness of SIICHI, amounting to approximately HKD7.89 billion, and shall assume the tax charges to be incurred thereon as well as the obligation of making up the shortfall. The transaction was considered and approved at a general meeting of the Company and the transfer of the relevant equity interests was completed on 11 January 2022. For details, please refer to the announcements of the Company dated 15 March, 14 April, 22 July, 10 August 2021 and 10 December 2021 and 11 January 2022 respectively and the circular dated 24 November 2021 of the Company.

Appointment of Auditor for the Year

Details of the appointment and remuneration of the auditor for the year (including audit of financial reports and internal control) are set out in "Corporate Governance Report" in this annual report.

Review of Results

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2022. For details, please refer to "Corporate Governance Report" in this annual report.

Adequacy of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, there is sufficient public float of more than 25% of the Company and within the knowledge of the Dil reporting Rules.

Compliance with Laws and Regulations

The Group's businesses are mainly carried out by the Company and its subsidiaries in the PRC. Our operations accordingly shall mainly comply with the relevant laws and regulations in the PRC. During the Reporting Period, the Group had not breached the relevant laws and regulations that exert a significant impact on the Group.

Name of Directors

As at the date hereof, the members of the Board include: Mr. Liao Xiang Wen (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Wen Liang (Executive Director), Mr. Dai Jing Ming (Non-executive Director), Ms. Li Xiao Yan (Non-executive Director), Mr. Lü Da Wei (Non-executive Director), Mr. Bai Hua (Independent Director), Mr. Li Fei Long (Independent Director), Mr. Miao Jun (Independent Director) and Mr. Xu Hua Xiang (Independent Director).

By Order of the Board
Liao Xiang Wen
Executive Director

Shenzhen, the PRC, 24 March 2023

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEX, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Issuing and Listing of the Securities

1. During the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital \times closing price of A Shares (RMB8.98)) was RMB12.961 billion and the circulating market capitalisation of H Shares (circulating H Share capital \times closing price of H Shares (HK\$6.73)) was HK\$5.031 billion.

2. The Company has completed the issuance of phase 1 of the 2020 corporate bonds of RMB1.4 billion with a term of 5 years on 20 March 2020 publicly. The bond abbreviation is "20 Shenzhen Expressway 01" and the bond code is "163300", which has been listed on SSE.
3. The Company has completed the issuance of phase 1 of the 2020 green corporate bonds of RMB800 million with a term of 5 years on 22 October 2020 publicly. The abbreviation of the bond is "G20 Shenzhen Expressway 01" and the bond code is "175271", which has been listed on SSE.
4. The Company has completed the issuance of phase 1 of the 2021 green corporate bonds of RMB1.2 billion with a term of 5 years on 19 April 2021 publicly. The abbreviation of the bond is "G21 Shenzhen Expressway 1" and the bond code is "175979", which has been listed on the SSE.

5. The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July 2021 publicly. The bond abbreviation is "SZEXP B2607" and bond code is "40752", which has been listed on HKEX since 8 July 2021.
6. The Company has completed the issuance of phase 1 of the 2021 corporate bonds of RMB1 billion with a term of 5 years on 27 July 2021 publicly. The abbreviation of the bond is "21 Shenzhen Expressway 01" and the bond code is "188451", which has been listed on SSE.
7. The Company has completed the issuance of phase 1 of the 2022 corporate bonds of RMB1.5 billion with a term of 5 years on 19 January 2022 publicly. The bond abbreviation is "22 Shenzhen Expressway 01" and bond code is "185300", which has been listed on SSE.

III. Information of Share Capital and the De-facto Controller

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders, the top ten shareholders and the top ten holders of non-restricted circulating shares of the Company were as follows:

1. Total Number of Shareholders :

Total number of shareholders as at the end of the Reporting Period	18,431
Total number of shareholders as at the end of the last month prior to the Reporting Date	17,990

Note :

- (1) The Company had 18,183 holders of A Shares and 248 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 17,742 holders of A Shares and 248 holders of H Shares as at the end of the last month prior to the Reporting Date.

Share Capital and Shareholders

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company as at the end of the Reporting Period

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED ⁽¹⁾	-344,667	729,829,375	33.47%	—	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	—	654,780,000	30.03%	—	None	0	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	—	411,459,887	18.87%	—	None	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	—	91,092,743	4.18%	—	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	—	61,948,790	2.84%	—	None	0	State-owned legal person
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	+2,379,996	33,048,846	1.52%	—	Unknown		Domestic non-state-owned legal person
AU SIU KWOK	—	11,000,000	0.50%	—	Unknown		Overseas natural person
Zhang Ping Ying	—	7,709,665	0.35%	—	Unknown		Domestic natural person
Hong Kong Central Clearing Company Limited	-868,283	7,651,622	0.35%	—	Unknown		Other
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	+1,412,472	7,536,624	0.35%	—	Unknown		Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED ⁽¹⁾	729,829,375	H share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A share
China Merchants Expressway Network & Technology Holdings Company Limited	91,092,743	A share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A share
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	33,048,846	A share
AU SIU KWOK	11,000,000	H share
Zhang Ping Ying	7,709,665	A share
Hong Kong Central Clearing Company Limited	7,651,622	A share
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	7,536,624	A share

Connected relationship or concerted action relationship among the abovementioned shareholders

XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.

Note: (1) The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

3. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEX

As at 31 December 2022, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	1,066,239,887(L)	74.39%(L)
SIHC	Interest of corporation controlled ⁽⁴⁾	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
China Merchants Expressway Network & Technology Holdings Company Limited	Interest of corporation controlled	83,168,000 (L)	11.13% (L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	52,612,000 (L)	7.03% (L)
SIHC	Interest of corporation controlled ⁽⁴⁾	52,612,000 (L)	7.03% (L)
LSV ASSET MANAGEMENT	Investment manager	44,845,251 (L)	5.99% (L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to Securities and Futures Ordinance for relevant definitions.

Notes :

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEX.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEX.
- (3) Pursuant to a written letter provided by Shenzhen International to the Company, on 31 December 2022, long positions of 654,780,000 A Shares of the Company were directly held by XTC Company as beneficial owner, 411,459,887 A Shares of the Company were directly held by SGH Company as beneficial owner, and long position of 58,194,000 H Shares, which accounting for 7.785% of the issued H share capital of the Company, were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International, while 58,194,000 H Shares, which accounting for 7.785% of the issued H share capital of the Company were indirectly held by Shenzhen International and SIHC.
- (4) SIHC indirectly held 44.35% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance of Hong Kong, SIHC was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, to the knowledge of the Company, as at 31 December 2022, there were no other persons required to be disclosed under Section 336 of Part 15 of Securities and Futures Ordinance of Hong Kong.

Share Capital and Shareholders

IV. Information of the Controlling Shareholder and the De-facto Controller

1. Information of the Controlling Shareholder

- (1) XTC Company, holding 30.025% shares of the Company, is the largest beneficial shareholder of the Company :

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Ge Fei	8 September 1993	RMB200,000,000	Transportation information consulting, software development of transport platform software and investment in various industrial projects (specific project shall be applied separately)

- (2) SGH Company is a corporate shareholder beneficially holding 18.868% shares of the Company (please refer to "Other Legal Person Shareholders Holding More Than 10% of the Company's Shares " in V below for details), and Advance Great Limited is a corporate shareholder beneficially holding 2.669% shares of the Company.

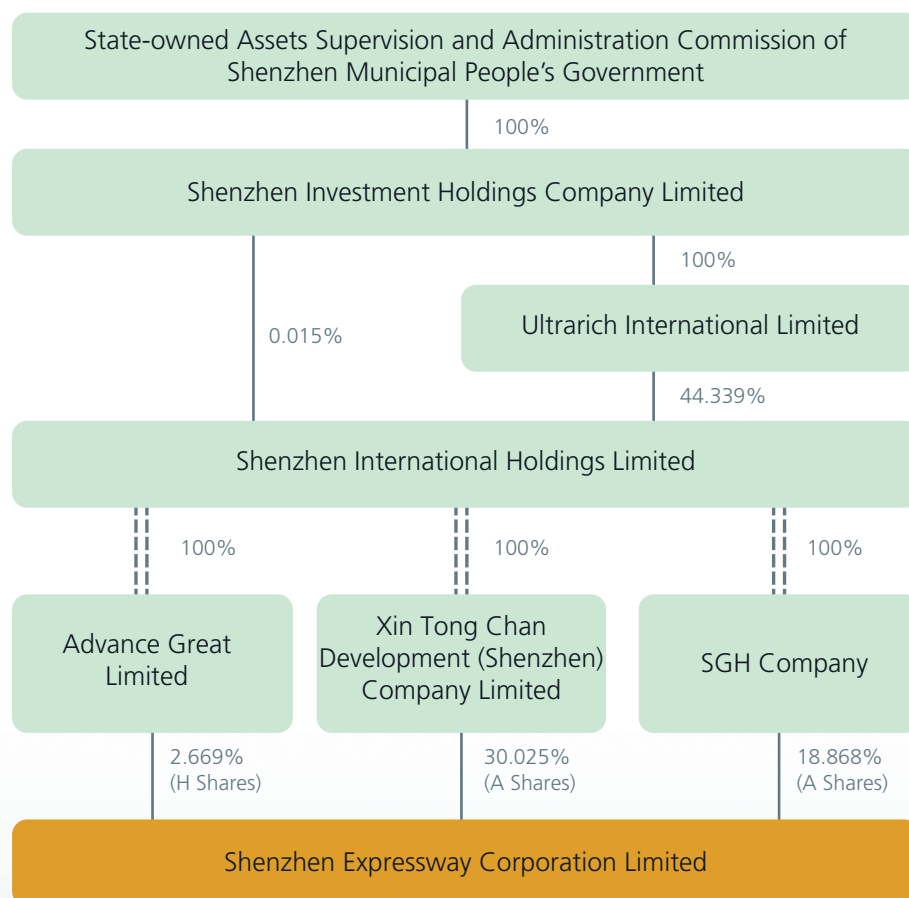
- (3) As at the end of the Reporting Period, Shenzhen International indirectly held a total of 51.561% shares of the Company by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following "chart of ownership and relation of control between the Company and the de-facto controller".

Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Li Hai Tao (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK\$2,387,809,199 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	N/A
Other information	Shenzhen International is listed on the main board of HKEX (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEX and Shenzhen International.

2. Information of the De-facto Controller

The actual controller of the Company is Shenzhen SASAC. As at 31 December 2022, Shenzhen SASAC holds 100% interests in SIHC, and performs supervision and management on SIHC. SIHC held 44.354% shares of Shenzhen International as the beneficial owner and through its wholly-owned subsidiary Ultrarich International Limited.

The chart of ownership and relation of control between the Company and the de-facto controller:



Share Capital and Shareholders

V. Other Legal Person Shareholders Holding More Than 10% of the Company's Shares

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% shares of the Company included:

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Yi Ai Guo	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing
Description	Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company disclosed in this section, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.			

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period and whom had Left Office During the Period

1.1 General Information of Directors, Supervisors and Senior Management in Office as at the End of the Reporting Period

Name	Title (as at the end of the Reporting Period)	Sex	Age	Commencement of the term of office of this session ⁽⁶⁾	End of the term of office of this session
Liao Xiang Wen	Executive Director	Male	54	Nov 2016	Dec 2023
Liao Xiang Wen (concurrent position)	President	Male	54	Sep 2018	Dec 2023
Wang Zeng Jin	Executive Director	Male	52	Jun 2020	Dec 2023
Wen Liang	Executive Director	Male	49	Mar 2019	Dec 2023
Wen Liang (concurrent position)	Financial Controller	Male	49	Sep 2018	Dec 2023
Dai Jing Ming	Non-executive Director	Male	58	Jan 2021	Dec 2023
Li Xiao Yan	Non-executive Director	Female	45	Jan 2021	Dec 2023
Lü Da Wei ⁽⁴⁾	Non-executive Director	Male	48	Jun 2022	Dec 2023
Bai Hua	Independent Director	Male	53	Feb 2018	Dec 2023
Li Fei Long	Independent Director	Male	58	Jan 2021	Dec 2023
Miao Jun	Independent Director	Male	65	May 2021	Dec 2023
Xu Hua Xiang	Independent Director	Male	46	May 2021	Dec 2023
Lin Ji Tong	Chairman of the Supervisory Committee	Male	53	Jun 2020	Dec 2023
Wang Chao	Supervisor	Male	50	Jan 2021	Dec 2023
Ye Hui Hui	Supervisor	Female	46	Jan 2021	Dec 2023
Huang Bi Nan	Vice President	Female	51	Sep 2015	Dec 2023
Wen Po Wei	Vice President	Male	49	Sep 2015	Dec 2023
Wen De Liang	Vice President	Male	40	Dec 2021	Dec 2023
Du Meng	Vice President	Male	48	Dec 2021	Dec 2023
Zhao Gui Ping	Chief Financial Officer	Female	49	Sep 2018	Dec 2023
Zhao Gui Ping (concurrent position) ⁽²⁾	Board Secretary	Female	49	Mar 2022	Dec 2023
Chen Shou Yi	Chief Engineer	Male	51	Sep 2018	Dec 2023

Directors, Supervisors, Senior Management and Employees

1.2 General Information and Changes in Duties of Directors, Supervisors and Senior Management whom had Left Office During the Period

Name	Title (before leaving office)	Sex	Age	Commencement of the term of office of this session ⁽⁶⁾	The leaving date
Gong Tao Tao ⁽¹⁾	Board Secretary	Female	49	Aug 2019	Dec 2021
Chen Hai Shan ⁽³⁾	Non-executive Director	Female	56	Jan 2021	Dec 2021
Hu Wei ⁽⁵⁾	Chairman of the Board	Male	60	Jan 2015	Dec 2022

Note:

- (1) The Company received a written resignation report submitted by Ms. Gong Tao Tao on 10 March 2022. Ms. Gong resigned from the position of board secretary (and joint company secretary) of the Company due to personal work changes, and her resignation took effect immediately.
- (2) Approved at the 18th meeting of the ninth session of the Board held on 10 March 2022, Ms. Zhao Gui Ping was appointed as the board secretary, the term of office is from 10 March 2022 to 31 December 2023.
- (3) The Company received a written resignation report submitted by Ms. Chen Hai Shan on 30 June 2022, Ms. Chen resigned as Director of the Company due to retirement and her resignation took effect immediately.
- (4) At the 2021 Annual General Meeting hold on 30 June 2022, Mr. Lü Da Wei was appointed as Director of the ninth session of the Board, the term of office is from 30 June 2022 to 31 December 2023.
- (5) The Company received a written resignation report submitted by Mr. Hu Wei on 1 December 2022, Mr. Hu resigned as Chairman, Director and other positions of the Company due to retirement and his resignation took effect immediately.
- (6) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.
- (7) Regarding the appointment, hiring, resignation and leaving of directors, supervisors and senior management, the Company has issued announcements in a timely manner. For details, please refer to relevant announcements.

2. Interests and Remuneration of Directors, Supervisors and Senior Management in Office as at the End of the Period and Left Office During the Period

Unit: RMB ten thousand (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Salary	Statutory benefits	Fee and/or meeting subsidies	Total	
Liao Xiang Wen	No	119.32	23.85	N/A	143.17	No
Wang Zeng Jin	No	106.90	21.85	N/A	128.75	No
Wen Liang	No	N/A	N/A	N/A	0.00	Yes
Dai Jing Ming	No	N/A	N/A	N/A	0.00	Yes
Li Xiao Yan	No	N/A	N/A	N/A	0.00	Yes
Lü Da Wei	No	N/A	N/A	0.70	0.70	Yes
Bai Hua	No	N/A	N/A	25.20	25.20	No
Li Fei Long	No	N/A	N/A	25.30	25.30	Yes
Miao Jun	No	N/A	N/A	25.30	25.30	No
Xu Hua Xiang	No	N/A	N/A	24.70	24.70	No
Lin Ji Tong	No	N/A	N/A	N/A	0.00	Yes
Wang Chao	No	N/A	N/A	N/A	0.00	No
Ye Hui Hui	No	50.58	15.45	1.45	66.94	No
Huang Bi Nan	No	104.78	22.33	N/A	127.11	No
Wen Po Wei	No	104.78	22.21	N/A	126.99	No
Wen De Liang	No	103.72	20.97	N/A	124.69	No
Du Meng	No	103.72	21.27	N/A	124.85	No
Zhao Gui Ping	No	102.66	21.79	N/A	124.45	No
Chen Shou Yi	No	102.66	21.70	N/A	124.36	No
Hu Wei (Leave)	Yes	102.22	19.19	N/A	121.40	No
Chen Hai Shan (Leave)	No	N/A	N/A	0.70	0.70	Yes
Gong Tao Tao (Leave)	No	26.65	5.51	N/A	32.16	No
Total	/	/	/	/	1,346.77	/

Directors, Supervisors, Senior Management and Employees

Notes:

- (1) Remuneration includes fixed salary and performance bonus. The 2022 senior management performance bonus in the above table has not yet been released. The above figure was estimated and summarized in accordance with the applicable rules of annual bonus for 2021, and the final actual amount to be released to the senior management shall prevail. Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances.
- (2) Director Wen Liang and Supervisor Lin Ji Tong get paid in related parties of the Company.
- (3) Resigned director Mr. Hu Wei held 200,000 H shares of the Company when he resigned.
- (4) Directors Li Xiao Yan, Lü Da Wei, Li Fei Long and resigned director Chen Hai Shan get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.
- (5) The remunerations of Hu Wei and Gong Tao Tao in the above table is the remuneration during their tenure.
- (6) The remunerations in the above table do not include the 2021 security risk mortgage bonus received by the following personnel in 2022, specifically: Hu Wei RMB72,000, Liao Xiang Wen RMB72,000, Wang Zeng Jin RMB50,000, Wen Liang RMB50,000, Lin Ji Tong RMB50,000, Huang Bi Nan RMB72,000, Wen Po Wei RMB66,600, Wen De Liang RMB4,200, Du Meng 6,000, Zhao Gui Ping RMB50,000, Chen Shou Yi RMB50,000, and Gong Tao Tao RMB72,000, respectively. The above-mentioned bonuses are pre-tax.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to point III below.

3. Biography of the Directors, Supervisors and Senior Management

The resumes of the Director, Supervisor and Senior Management in Office as at the End of the Reporting Period:

The Board:

Name	Position in the Company	Resume
LIAO Xiang Wen 	<i>Executive Director, President,</i> Member of Strategic Committee. Member of Risk Management Committee. Director since Nov 2016, Temporarily chair the operation of the Board since December 2022, President since Sep 2018.	<p>Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management. Mr. Liao is mainly responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions. Passed by the Board, Mr. Liao is also responsible for chairing and coordinating the work of the Board, leading the Board to formulate the overall development strategy and direction of the Group and achieve the Group's goals, ensuring the effective operation of the Board and ensuring the Company has good corporate governance practices and procedures.</p> <p>Mr. Liao joined the Company in November 2004 and served as a Vice President from September 2009 to September 2018. He has been the President since September 2018. Mr. Liao temporarily chairs the operation of the Board since December 2022, he also serves as the chairman and director in some subsidiaries and investment enterprises of the Company, including the Chairman of Bay Area Development (a Hong Kong-listed company) from January 2023.</p>

Name

WANG Zeng Jin

**Position in the Company**

Executive Director,
Member of Risk Management Committee.

Director since Jun 2020.

Resume

Born in 1970. Mr. Wang has more than 20 years' experiences in human resource management and corporate management. Mr. Wang is mainly responsible for coordination and management of general administrative affairs, Party building, development of corporate culture, development of Trade Union Organisation and human resources affairs of the Company.

Mr. Wang joined Shenzhen International (a Hong Kong listed company) in October 2004 and had been the secretary to the chairman and the general manager of Human Resources Department successively. Mr. Wang had been a Director of the Company from January 2015 to December 2017 and a Supervisor of the Company from January 2018 to June 2020. Mr. Wang has been an executive Director of the Company since June 2020. Mr. Wang had been the Secretary of Disciplinary Committee of the Company and is currently also the Deputy Secretary of the Party Committee of the Company.

WEN Liang



Executive Director, Financial Controller.
Member of Risk Management Committee.

Director since Mar 2019,
Financial Controller since Sep 2018.

Born in 1973, Mr. Wen has extensive experience in finance and auditing management. Mr. Wen is mainly responsible for coordination and management of financial monitoring, internal control and internal auditing affairs. Mr. Wen takes the lead in charge of the Company's asset evaluation and filing work.

Mr. Wen successively served as the head of budget control office and auditing department of Shenzhen Water (Group) Co., Ltd. from 1996 to September 2018 and concurrently served as director and supervisor of some of its subsidiaries. Mr. Wen has also been concurrently served as supervisor of Shenzhen Yantian Port Group Holdings Limited since February 2017 until now. Mr. Wen joined the Company in September 2018 and served as the Financial Controller. He has served as a Director of the Company since March 2019.

DAI Jing Ming






Non-executive Director,
Member of Strategic Committee.

Director since Jan 2021.

Born in 1964, Mr. Dai has extensive experiences in corporate finance, investment and management.

Mr. Dai has successively served in Shum Yip Investment Development Co., Ltd. and Shum Yip Group Limited, etc.. He joined Shenzhen International (a Hong Kong listed company) and served as the chief financial officer in August 2017, and has served as an executive director of Shenzhen International since September 2020.




Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
<p data-bbox="180 441 277 470">LI Xiao Yan</p> 	<p data-bbox="453 441 687 513"><i>Non-executive Director,</i> Member of Audit Committee, Member of Remuneration Committee. Director since Jan 2021.</p>	<p data-bbox="908 441 1370 513">Born in 1977, Ms. Li has extensive working experience in financial management, corporate management, and investment and financing management.</p> <p data-bbox="908 530 1370 724">Ms. Li worked in Sinotrans Group from August 2001 to March 2020. She served as the chief financial officer of a business division, general manager of the finance department, and a member of the disciplinary committee of Sinotrans Limited (a company listed in Hong Kong and the PRC). She has served as the deputy chief financial officer of CMET (a PRC listed company) since April 2020, and served as the chief financial officer of CMET since April 2022.</p>
<p data-bbox="180 763 272 791">LÜ Da Wei</p> 	<p data-bbox="453 763 639 834"><i>Non-executive Director,</i> Director since June 2022.</p>	<p data-bbox="908 763 1370 812">Born in 1975, Mr. Lü has extensive experience in engineering management and corporate management.</p> <p data-bbox="908 830 1370 1004">Mr. Lü joined GDRB Company in July 1999, and served successively as technical supervisor, project leader, department manager, deputy general manager and general manager of subsidiaries. He has served as a member of the party committee and deputy general manager of GDRB Company since September 2021. He also serves as Chairman of some subsidiaries of GDRB Company.</p>
<p data-bbox="180 1095 252 1123">BAI Hua</p> 	<p data-bbox="453 1095 756 1187"><i>Independent Director,</i> Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee. Independent Director since Feb 2018.</p>	<p data-bbox="908 1095 1370 1144">Born in 1969, Mr. Bai has extensive research and practical experience in auditing and internal control.</p> <p data-bbox="908 1162 1370 1479">Mr. Bai has worked in the Department of Accounting of Jinan University since October 2003 and now serves as a professor and doctoral tutor of the Department of Accounting of Jinan University. Mr. Bai served as an independent director of Guangdong Mingjia United Mobile Technology Co., Ltd. (a PRC listed company), Guangzhou Yichang Technology Co., Ltd. (a PRC listed company) and Yipinhong Pharmaceutical Co., Ltd. (a PRC listed company). Mr. Bai is currently an executive of Guangdong Audit Association and an independent director of Skyworth Group Co., Ltd. (a PRC listed company), Guangzhou Improve Medical Instruments Co., Ltd (a PRC listed company), Livzon Pharmaceutical Group Inc. (a company listed in Hong Kong and PRC) and Guangdong Hongxing Industrial Co., Ltd.</p>




Name	Position in the Company	Resume
<p>LI Fei Long</p> 	<p><i>Independent Director,</i> Chairman of Remuneration Committee, Chairman of Nomination Committee, Member of Strategic Committee, Member of Audit Committee.</p> <p>Independent Director since Jan 2021.</p>	<p>Born in 1964, Mr. Li has extensive experience in financial management, capital operation, investment and financing management, as well as experience in energy industry.</p> <p>Mr. Li worked in China National Offshore Oil Company, and served as an executive director, executive vice president and chief financial officer of China Oilfield Services Limited (a company listed in Hong Kong and the PRC) from September 2010 to February 2018. He served as the vice president and chief financial officer of POLY-GCL Petroleum Group Holdings Limited from March 2018 to October 2019. He served as the deputy general manager and the chief financial officer of Beijing JJC Petroleum Equipment Co., Ltd. since March 2021, and as a director and the chairman of the audit and risk committee of Newage (African Global Energy) Ltd. in the United Kingdom since November 2019, and a director of iRock Technologies Co., Ltd. since October 2021.</p>
<p>MIAO Jun</p> 	<p><i>Independent Director,</i> Member of Strategic Committee, Member of Audit Committee, Member of Nomination Committee.</p> <p>Independent Director since May 2021.</p>	<p>Born in 1957, Mr. Miao has extensive experience in power and energy management.</p> <p>Mr. Miao has worked in the Ministry of Water Resources and Electric Power, the Planning Department of the Ministry of Energy, and China Longyuan Power Group Corporation Limited (a Hong Kong listed company). He successively served as the chief economist, deputy general manager and member of the party group in GD Power Development Co., Ltd (a PRC listed company) from 2000 to 2017. Mr. Miao retired in July 2017.</p>
<p>XU Hua Xiang</p> 	<p><i>Independent Director,</i> Chairman of Risk Management Committee, Member of Remuneration Committee,</p> <p>Independent Director since May 2021.</p>	<p>Born in 1976, Mr. Xu has extensive experience in financial investment and financing management.</p> <p>Mr. Xu worked in Shanghai Ruian Consulting Co., Ltd.. He successively served as vice president, executive director, and head of transportation research in the Asia-Pacific region of Morgan Stanley Asia Co., Ltd. from June 2004 to June 2019. Mr. Xu served as chief strategy officer of Ehang Holdings Limited (a company listed on NASDAQ, USA) from July 2019 to July 2022.</p>

Directors, Supervisors, Senior Management and Employees





The Member of Ninth Session of Supervisory Committee:

Name	Position in the Company	Resume
<p>LIN Ji Tong</p> 	<p><i>(Shareholders' representative)</i> Supervisor, Chairman of Supervisory Committee since Jun 2020.</p>	<p>Born in 1969, Mr. Lin has extensive working experience in the Communist party and disciplinary inspection and supervision.</p> <p>Mr. Lin is mainly responsible for the overall management of the Company's disciplinary supervision and integrity building. Mr. Lin has worked as the head of the People's Court of Rongcheng District of Jieyang City and the Rongcheng District Committee of Jieyang City. He successively served as deputy secretary of the party working committee of Guangming Office and the director of the Land Supervision Bureau of Guangming New District of Shenzhen from August 2008 to September 2016. He worked as the deputy general manager of a subsidiary of Shenzhen International (a Hong Kong listed company), the head of the discipline inspection and supervision office and the deputy secretary of the disciplinary committee of Shenzhen International successively from September 2016 to April 2020. Mr. Lin has served as the Secretary of the Disciplinary Committee of the Company since May 2020 and the Chairman of the Supervisory Committee of the Company since June 2020.</p>
<p>WANG Chao</p> 	<p><i>(Shareholders' representative)</i> Supervisor, Supervisor since Jan 2021.</p>	<p>Born in 1972, Mr. Wang has extensive working experience in finance, auditing, and risk management.</p> <p>Mr. Wang has worked in Shenzhen Baoheng (Group) Co., Ltd. and COFCO Real Estate (Group) Co., Ltd. He served as department head and deputy minister in Shenzhen Investment Holdings Co., Ltd. from June 2008 to November 2016, and the head and minister of the financial department of Shenzhen Talents Housing Group Co., Ltd. from November 2016 to November 2020. He has served as a director and chief financial officer of Shenzhen Tagen Group Co., Ltd. (a PRC listed company) since November 2020.</p>
<p>YE Hui Hui</p> 	<p><i>(Staff representative)</i> Supervisor, Supervisor since Jan 2021.</p>	<p>Born in 1976, Ms. Ye has years of auditing experience.</p> <p>Ms. Ye taught in the department of economics and management of Guangdong Shaoguan University. She joined the Company in November 2001 and has served as a senior manager of the standards management department, senior manager of the Board secretary department, and senior auditor of the audit department. She is currently the senior manager of risk management and legal department of the Company.</p>

Non-director Senior Management and Joint Company Secretaries:

Name	Position in the Company	Resume
<p data-bbox="293 491 422 519">HUANG Bi Nan</p> 	<p data-bbox="558 491 683 519"><i>Vice President.</i></p> <p data-bbox="558 534 989 562">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 491 1485 692">Born in 1971. Ms. Huang has many years' experience in management system and development of corporate culture. Ms. Huang is mainly responsible for overall management of the Company's industrial policy, operation business of roads of the Company, business innovation, collaborative business, property right management and operation plan management of the enterprises invested by the Company, and performance appraisal.</p> <p data-bbox="1005 707 1485 836">Ms. Huang joined the Company in 1997 and had been the Office Administrator of the Company since June 2008. She has been a Vice President since September 2015, and concurrently serves as Chairman, Vice Chairman and Director of some subsidiaries and joint companies of the Company.</p>
<p data-bbox="293 875 403 903">WEN Po Wei</p> 	<p data-bbox="558 875 683 903"><i>Vice President.</i></p> <p data-bbox="558 918 989 946">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 875 1485 1004">Born in 1973. Mr. Wen has many years of experience in highway operation management and project investment management. Mr. Wen is mainly responsible for coordination and management of the Company's strategic affairs, investment business and property rights changes.</p> <p data-bbox="1005 1019 1485 1177">Mr. Wen served as the general manager of the strategy and investment development department of Shenzhen International as well as the deputy general manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015 and has been a Vice President since September 2015. He concurrently serves as Director of some subsidiaries of the Company.</p>
<p data-bbox="293 1213 416 1241">WEN De Liang</p> 	<p data-bbox="558 1213 683 1241"><i>Vice President.</i></p> <p data-bbox="558 1256 989 1284">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 1213 1485 1328">Born in 1982. Mr. Wen has many years' experience in management system and development of corporate culture. Mr. Wen is mainly responsible for overall management of the Company's financial business and new energy business.</p> <p data-bbox="1005 1343 1485 1601">Mr. Wen has worked in Shenzhen Total Logistics Services Co. Ltd., Shenzhen International South-China Logistics Co., Ltd. and Shenzhen International. He joined the Company in June 2015 and has successively served as the Deputy General Manager of new industry research and development department and Deputy Office Administrator of the Company. Mr. Wen has served as the Office Administrator of the Company from August 2016 to May 2022 and as the Vice President of the Company since December 2021. Mr. Wen concurrently serves as the Chairman and Director of some subsidiaries of the Company.</p>

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
<p data-bbox="180 441 268 470">DU Meng</p> 	<p data-bbox="451 441 571 470"><i>Vice President.</i></p> <p data-bbox="451 485 874 513">Details are set out in the resume in the right column.</p>	<p data-bbox="906 441 1370 786">Born in 1974. Mr. Du has many years of experience in project management and development management. Currently, Mr. Du is mainly responsible for coordinating and managing the project construction of the Company. Mr. Du joined the Company in 2002, and had served as deputy general project manager, general manager of the project management department, deputy general manager of engineering department, deputy general manager of Shenzhen Expressway Construction Development Company Limited. Mr. Du has successively served as general manager and chairman of Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd since November 2017. Mr. Du has been the Vice President of the Company since December 2021 and concurrently serves as the chairman of some subsidiaries of the Company.</p>
<p data-bbox="180 830 308 858">ZHAO Gui Ping</p> 	<p data-bbox="451 830 770 858"><i>Chief Financial Officer, Board Secretary.</i></p> <p data-bbox="451 873 874 901">Details are set out in the resume in the right column.</p>	<p data-bbox="906 830 1370 937">Born in 1973, Ms. Zhao has extensive experience in finance, auditing and corporate management. Ms. Zhao is mainly responsible for coordination of financial management, information disclosure, corporate governance and investor relations of the Company.</p> <p data-bbox="906 959 1370 1196">Ms. Zhao joined the Company in 2000 and served successively as assistant manager of finance department, deputy general manager of finance department and financial controller of Shenzhen Expressway Investment Company Limited. She served as the general manager of finance department of the Company from December 2016 to March 2020. Ms. Zhao has been the Chief Financial Officer of the Company since September 2018. She served as secretary of the Board since March 2022 and concurrently serves as director of some subsidiaries of the Company.</p>
<p data-bbox="180 1228 308 1256">CHEN Shou Yi</p> 	<p data-bbox="451 1228 579 1256"><i>Chief Engineer.</i></p> <p data-bbox="451 1272 874 1300">Details are set out in the resume in the right column.</p>	<p data-bbox="906 1228 1370 1498">Born in 1971, Mr. Chen has extensive experience in project construction and management. Mr. Chen is mainly responsible for coordination of technology, safety production and information development of the Company. Mr. Chen served as the General Manager of Shenzhen Longda Expressway Company Limited from 2008 to 2015. Mr. Chen joined the Company in 2015 and successively served as general manager of engineer department and chairman of Shenzhen Expressway Construction Development Company Limited. Mr. Chen has been the Chief Engineer of the Company since September 2018.</p>
<p data-bbox="180 1541 339 1569">LAM Yuen Ling Eva</p> 	<p data-bbox="451 1541 659 1569"><i>Joint Company Secretary.</i></p> <p data-bbox="451 1584 874 1612">Details are set out in the resume in the right column.</p>	<p data-bbox="906 1541 1370 1714">Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam Yuen Ling Eva is a senior member of both the Hong Kong Chartered Governance Institute and the Chartered Governance Institute, and was awarded the qualification of Chartered Governance Professional. She is also a Life Associate Member of the Hong Kong Independent Non-Executive Director Association Limited.</p> <p data-bbox="906 1735 1370 1858">Ms. Lam is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. She has been the Joint Company Secretary from January 2016 to January 2019 and since August 2019.</p>

II. Major Position held by the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholders' Entities

Name	Name of shareholder entity	Position	Term
Dai Jing Ming	Shenzhen International	Executive Director	Sep 2020 – Now
		Financial Controller	Aug 2017 – Now
Li Xiao Yan	CMET	Financial Controller	Apr 2020 – Now
Lü Da Wei	GDRB Company	Deputy General Manager	Sep 2021 – Now

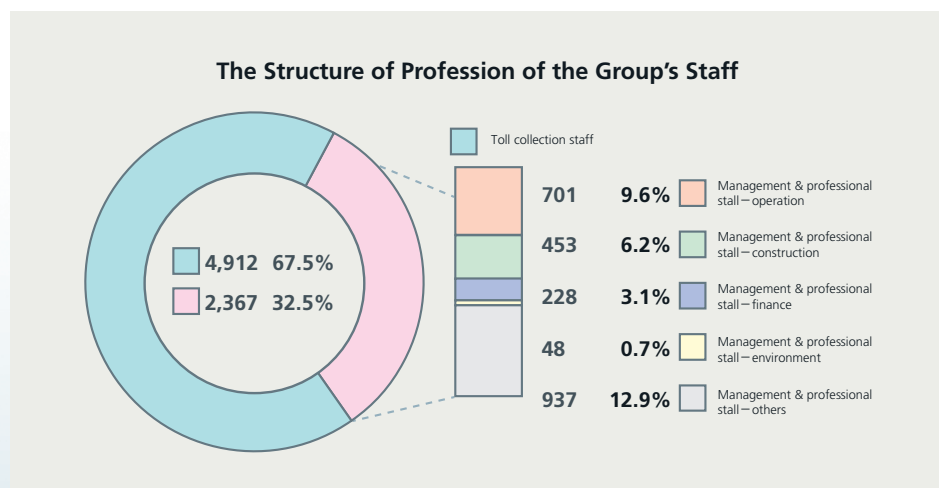
The description of position in shareholder entities In addition to abovementioned main positions in shareholders entities, Director Li Xiao Yan, Lü Da Wei and Supervisor Wang Chao are also concurrently serving as a Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.

III. Basic Information of Employees and Human Resource Management

1. Basic Information of Employees :

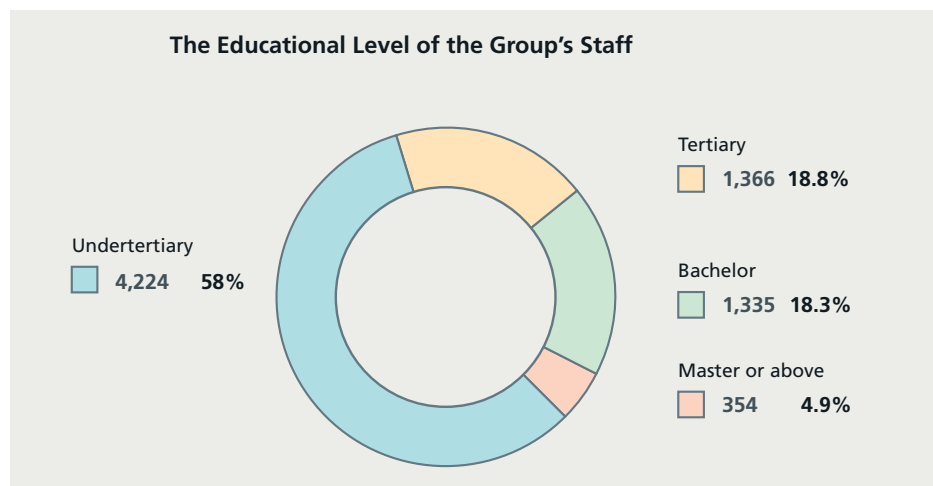
Amount of employees in the parent company	185
Amount of employees in main subsidiaries	7,094
The total amount of employees	7,279
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 4,912 were frontline staff, representing 67.5% of total number, while 2,367 were management and professional staff, including staff of operation, engineering, finance, environment and other series, representing 32.5% of the total number. The structure of profession of the Group's staff is as follows:



Directors, Supervisors, Senior Management and Employees

Among the employees of the Group, 42% held tertiary or above qualifications, of which 93% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:



2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors :

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration during the Reporting Period.

According to the proposed plans approved by the general meeting, Independent Directors and Directors who were not nominated by the shareholders of the Company would receive Directors' fees, and the Company would not separately determine or pay any additional fees to the Directors and the Supervisors who are entitled to receive management salary in the Company or shareholder entities. All Directors and Supervisors are entitled to obtain meeting subsidy for the meetings as stipulated. During the Period, the proposal for the remuneration of the members of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting.

Remuneration and Benefits Policies :

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate welfares and are determined by the market value of the position and the comprehensive performance of staff on the principle of "salary based on the position and changed with the position".

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities management centre as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise

annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2022, the headquarters of the Group has a total of 63 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note V\29 and 38 to the Financial Statements in this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management salary based on their specific management positions in the Company. The remuneration of senior management includes fixed salaries and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, which is reviewed by the Remuneration Committee and reported to the Board for approval.

Performance Evaluation and Incentive System :

The Board determines the Company's annual operating performance targets at each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2022, the Company broke down its targets in four dimensions, namely finance, customers, internal process and learning and maturity, and set out key performance targets including net profit, profit to cost ratio, project construction and project investment, key work promotion, safety production and material risk control, and Party building and discipline inspection.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members shall be reviewed by the Remuneration Committee and reported to the Board for approval.

3 · Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2022, the Company has organised a number of training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The Company has also organised 647 offline training sessions, with more than 20,000 person-times participation. In addition, in order to meet the growing demand for cross-regional training within the Company and fulfill full coverage training for all employees, the Company introduced its mobile learning platform, on which various series of campaigns such as live courses and knowledge quizzes were launched. During the Reporting Period, the Company has organised 46 live online courses for employees, accounting for 271 hours of live broadcast and involving more than 20,000 person-times on live, and uploaded 20 compulsory programs onto the mobile learning platform, accounting for more than 70,000 views.

CORPORATE GOVERNANCE

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Corporate Governance Summary

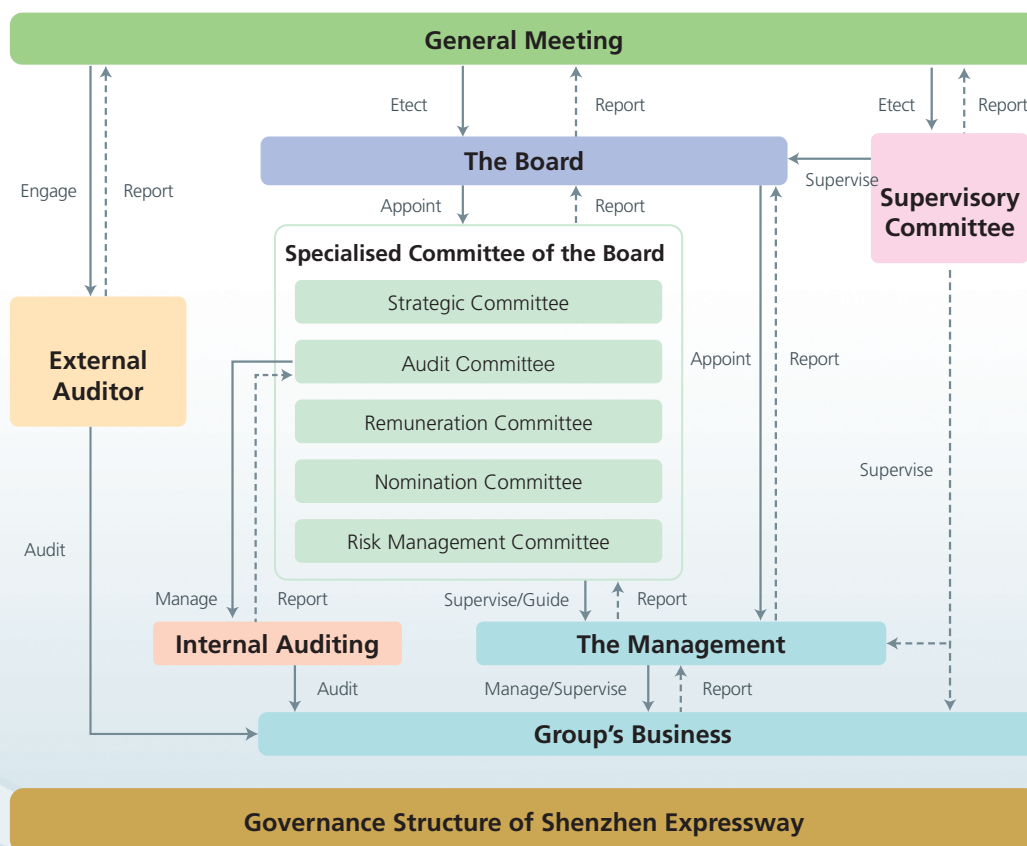
I. Description of the Overall Corporate Governance

Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEX. The Company has to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the "Company Law" and the relevant requirements issued by CSRC. The Company has also fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEX without any material deviation or breach of the code provisions occurred. The Company strives to implement better corporate governance practice and has adopted more stringent requirements than the code provisions under the "Corporate Governance Code" in certain aspects. Please refer to "Corporate Governance Report" in this annual report for details of the compliance with the "Corporate Governance Code".

II. Corporate Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on the "Articles of Association", covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties.



The key documents of governance rules of the Company include the "Articles of Association" and its appendices ("Rules of Procedures for the Shareholders' Meeting", "Rules of Procedures for the Board of Directors" and "Rules of Procedures for the Supervisory Committee"), "Terms of Reference" of various specialised committees, "Rules on Performing Duties by the Independent Directors", "Rules on Performing Duties by the President", "Securities Transaction Code", "Rules Governing Information Disclosure Matters", "Rules Governing Investor Relationship Management", "Rules Governing Insider Information", and "Rules Governing Connected Transactions" etc., all of which can be found or downloaded in the section of "Corporate Governance" on the Company's website.

The implementation of the management system of insiders:

The Company attaches great importance to enhancing the law observance and compliance awareness of the Directors, Supervisors and senior management and forbids any insider trading of the shares of the Company. The Company has established various systems including "Securities Transaction Code", "Rules Governing Insider Information Management", and "Code of Conduct in Relation to Information Disclosure to Shareholders", so as to enhance the secrecy management of the inside information, regulate insider trading of the shares of the Company and protect the Company's interest and the principle of equality for information disclosure. During the year, the Company has completed the insiders' registration in relation to the regular reports pursuant to relevant regulations.

III. Information on General Meetings

During 2022, two general meetings were held by the Company at the conference room of the Company, details of the meeting are as follows:

Name of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolution	Disclosure date for the publication of the resolution	Resolution of the meeting
The 2021 Annual General Meeting	30 June 2022	Available on the website of SSE http://www.sse.com.cn , the website of HKEX http://www.hkexnews.hk , the websites of the Company http://www.sz-expressway.com and http://www.sz-expressway-ir.com.hk (H-share).	30 June 2022	<p>The following resolutions were considered and passed as ordinary resolutions at the meeting:</p> <ol style="list-style-type: none"> The report of the Directors for the year 2021; The report of the Supervisory Committee for the year 2021; The audited accounts for the year 2021; The proposed distribution scheme of profits for the year 2021 (including the declaration of final dividend); The budget report for the year 2022; The resolution in relation to providing guarantees for subsidiaries; The resolution in relation to the proposal on authorizing the purchase of liability insurance for directors; The resolution in relation to the appointment of Directors of the ninth session of the Board of the Company; The resolution in relation to the further appointment of auditors for 2022. <p>The following resolutions were considered and passed as special resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolutions in relation to the grant of a general mandate to the Board to issue debentures were considered and approved by way of separate resolutions; The resolution in relation to the general authorization of the issuance of A-share and/or H-share.

Corporate Governance Summary

Name of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolution	Disclosure date for the publication of the resolution	Resolution of the meeting
The First Extraordinary General Meeting 2022	18 August 2022		18 August 2022	The following resolution was considered and passed as special resolutions at the meeting: 1. The resolution in relation to the termination of the absorption merger of Shenzhen Guangshen Coastal Expressway Investment Company Limited.

IV. Performance of Duties by Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2022

Directors in service as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Liao Xiang Wen	Executive Director	12	12	0	0	100%	2/2
Wang Zeng Jin	Executive Director	12	12	0	0	100%	2/2
Wen Liang	Executive Director	12	12	0	0	100%	2/2
Dai Jing Ming	Non-executive Director	12	12	0	0	100%	2/2
Li Xiao Yan	Non-executive Director	12	10	2	0	83%	1/2
Lü Da Wei ^{Note 1}	Non-executive Director	6	6	0	0	100%	1/1
Bai Hua	Independent Director	12	12	0	0	100%	2/2
Li Fei Long	Independent Director	12	12	0	0	100%	2/2
Miao Jun	Independent Director	12	12	0	0	100%	2/2
Xu Hua Xiang	Independent Director	12	12	0	0	100%	2/2

Directors off position as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Hu Wei ^{Note 2}	Executive Director	12	9	3	0	75%	2/2
Chen Hai Shan ^{Note 3}	Non-executive Director	6	6	0	0	100%	1/1

Note 1 Director Lü Da Wei has served as a Director since 30 June 2022.

Note 2 Director Hu Wei has not served as a Director since 2 December 2022.

Note 3 Director Chen Hai Shan has not served as a Director since 30 June 2022.

(II) Attendance of Directors at the Meetings of the Specialised Committees in 2022

Directors in service	Position held in the specialised committees	Attendance (Attendance in person/Total number of meetings)						
		Strategic Committee (enlarged meeting)	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 3}
Liao Xiang Wen	Member of Strategic Committee Member of Risk Management Committee	1/1	Note 1 3	N/A	N/A	1/3	N/A	1/1
Wang Zeng Jin	Member of Risk Management Committee	1/1	N/A	Note 1 1	Note 1 1	3/3	N/A	N/A
Wen Liang	Member of Risk Management Committee	1/1	Note 1 5	N/A	N/A	3/3	N/A	N/A
Dai Jing Ming	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Li Xiao Yan	Member of Audit Committee Member of Remuneration Committee	1/1	Note 2 3/6	Note 2 1/2	N/A	N/A	N/A	N/A
Lü Da Wei	–	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Bai Hua	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	1/1	6/6	2/2	Note 2 2/3	N/A	2/2	1/1
Li Fei Long	Chairman of Nomination Committee Member of Strategic Committee Member of Audit Committee Chairman of Remuneration Committee	1/1	6/6	2/2	3/3	N/A	2/2	1/1
Miao Jun	Member of Strategic Committee Member of Audit Committee Member of Nomination Committee	1/1	6/6	N/A	3/3	N/A	2/2	1/1
Xu Hua Xiang	Chairman of Risk Committee Member of Remuneration Committee	1/1	N/A	2/2	N/A	3/3	2/2	1/1

Corporate Governance Summary

Directors off position	Position held in the specialised committees	Attendance (Attendance in person/Total number of meetings)						
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 4}
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	1/1	N/A	N/A	^{Note 2} 2/3	N/A	N/A	N/A
Chen Hai Shan	Member of Risk Management Committee	1/1	N/A	N/A	N/A	^{Note 3} 1/1	N/A	N/A

Note:

- Observed at the meeting.
- Absent from the meetings:

Director Li Xiao Yan was unable to attend the First, Forth and Sixth Audit Committee Meetings 2022 due to business engagements, and has appointed Director Bai Hua to attend on her behalf;

Director Hu Wei was unable to attend the Second Nomination Committee Meeting 2022 due to business engagements, and has approved the resolution before the meeting;

Director Bai Hua was unable to attend the Second Nomination Committee Meeting 2022 due to business engagements, and has appointed Director Li Fei Long to attend on his behalf;

Director Li Xiao Yan was unable to attend the Second Remuneration Committee Meeting 2022 due to business engagements, and has approved the resolution before the meeting;

Director Liao Xiang Wen was unable to attend the First and Second Risk Management Committee Meetings 2022 due to business engagements, and has appointed Director Wang Zeng Jin to attend on his behalf.

Director Chen Hai Shan was unable to attend the First Risk Committee Meeting 2022 due to business engagements, and has appointed Director Wen Liang to attend on her behalf.

- One special meeting was held for the Executive Director/President and Independent Directors by the Company during the Reporting Period

(III) Performance of Duties by Independent Directors

The Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialised committees of the Company. In 2022, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters including the Company's external guarantees, profit distribution plan, changes in accounting policies, investment and financing plans, Directors' nomination and remuneration proposals, engagement of senior management, connected transactions pursuant to regulatory requirements and guidelines, and provided constructive opinions on the business development, strategic plans and risk management of the Company, with a view to protecting the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For details of the performance of duties by the Independent Directors during the year, please refer to the "2022 Duty Report of Independent Directors (2022年度獨立董事述職報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

V. Performance of Duties by Specialised Committees of the Board during the Year

The Board of the Company establishes five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialised committees are appointed by the Board for a term of three years, consistent with the term of the Board. Each specialised committee has its terms of reference which explicitly explains and defines its duties and powers, which have been approved by the Board. In 2022, the specialised committees of the Board convened 15 meetings in total. For the composition of each specialised committee and the attendance at the committee meetings during the year, please refer to "Performance of Duties by Directors" above.

(I) Strategic Committee

The Strategic Committee was established in November 2001, responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2022, the Strategic Committee held one meeting, during which the committee considered the "Shenzhen Expressway 2021 Strategy Review Report (深高速集團2021年度戰略回顧報告)" submitted by the management of the Company. In 2021, the first year of the Company's 14th Five-Year Plan (2021–2025) strategy, the Company was highly concerned with the execution of the strategy throughout the year. Under the support and guidance of the Strategic Committee, the Company reviewed the execution of the 2021 strategy: the year 2021 started well, and no major deviation was observed in the work and decisions of the management from the Company's established development strategy.

(II) Audit Committee

The Audit Committee was established in August 1999, mainly responsible for the independent review of the Company's financial reporting and the quality and efficiency of internal control as well as the control and routine management of connected transactions of the Company.

In 2022, the Audit Committee held six meetings in total, and actively conducted work and performed duties focusing on the goal set at the beginning of the year, reviewed the periodic reports, internal control reports and the internal control system of the Group, and provided the Company with professional opinions and suggestions on various aspects including financial reporting, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control.

During the year, auditors attended meetings of the Audit Committee to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting with the committee in the absence of management of the Company to ensure the independence and objectivity of the reports. The major tasks of the committee during the year included:

- ◆ review of the Group's periodical financial reports, including the annual financial report for 2021 and the unaudited financial report for the first quarter, interim and the third quarter of 2022, and making recommendations to the Board for approval;
- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal audit work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's risk management and anti-fraudulent work;
- ◆ evaluation of the annual work of the auditor and recommendations for appointments.

The related work of and opinions on the Group's financial reporting, review on financial reports, internal control and auditors are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For details of the annual performance of duties by the Audit Committee, please refer to the "2022 Duty Report of the Audit Committee (審核委員會2022年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

Corporate Governance Summary

(III) Remuneration Committee

The Remuneration Committee was established in November 2001, responsible for assisting the Board to review the remuneration policies and incentive mechanism of the Company on an ongoing basis, devising the appraisal standards for the Directors and senior management of the Company and conducting appraisals thereof, and ensuring that none of the Directors, senior management or their associates was involved in setting his/her own remuneration. The committee only makes recommendations to the Board regarding the remuneration of the Directors, and the remuneration of the Directors and senior management shall be specifically determined in general meetings or by the Board.

In 2022, the Remuneration Committee held two meetings in total, and its major tasks during the year included:

- ◆ evaluating the formulation of the operating performance target of the Company for 2022 and submitting the review opinions to the Board;
- ◆ reviewing the risk liability examination plan for the increase of Shenshan Qiantai Company Equity Interests.

Details of the remuneration policies and incentive mechanism of the Company are set out in the section headed “Directors, Supervisors, Senior Management and Employees” in this annual report.

(IV) Nomination Committee

The Nomination Committee was established in November 2001, responsible for examining or devising the Company’s human resources development strategies and planning; and conducting studies and providing recommendations in respect of candidates, nomination criteria and nomination procedures for Directors and senior management of the Company.

In 2022, the Nomination Committee held three meetings in total, and its major tasks during the year included:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ completing the qualification review for candidates nominated for Directors and submitting recommendations for nomination to the Board;
- ◆ completing the qualification review for the engagement of Chief Financial Officer of the Company and submitting recommendations for appointment to the Board;
- ◆ completing the qualification review for the engagement of Secretary of the Board and the Joint Company Secretary and submitting recommendations for appointment to the Board;

Details of the appointment of Directors and senior management of the Company are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.

(V) Risk Management Committee

The Risk Management Committee was established in August 2004, responsible for formulating policies on risk management of the Company, ensuring that the management has established a comprehensive and effective risk management system, supervising the Group's overall risk position, reviewing the Company's risk management system and material risk matters, and analysing and monitoring the risk position of the Company's material projects.

In 2022, the Risk Management Committee held three meetings in total, and actively conducted work and performed duties focusing on the goals set at the beginning of the year, reviewed the Group's risk management review and plan, and provided the Company with professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks during the year included:

- ◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of risk exposed to the Company and the implementation of risk responsive measures, and discussing the major risks exposed to the Company in the future and responsive measures with the management;
- ◆ reviewing the updates of the financial warning indicator system and monitoring the material changes of the warning indicators;
- ◆ reviewing the Company's proposal on investing in the Jihe Expressway Reconstruction and Expansion PPP Project and providing opinions and recommendations to the Board from the aspect of risk control.

VI. Work of the Supervisory Committee

In 2022, the Supervisory Committee held six meetings in total, and the Supervisors also attended all the general meetings and Board meetings. They considered or reviewed matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting policies, investment and acquisition, and connected transactions, and supervised the compliance of the decision-making procedures of general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company's profit distribution policy, the disclosure of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no occurrence about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

Corporate Governance Report

During the Reporting Period, the Company has fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEX and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we strive to implement better practices than the code provisions under the “Corporate Governance Code”, mainly in the following aspects:

- The stipulation on the terms of office for Independent Directors of no more than six years;
- Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- Appointment of an external auditor for the audit on the internal control of the financial reporting;
- Preparation and publication of quarterly results announcements;
- Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company, etc.

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the Company during the Reporting Period are set out as follows:

A. Corporate Goal, Strategy and Governance

A.1 Corporate strategy, business model and culture

The code provisions that we complied with

A.1.1~A.1.2

The Company has set up a multi-tier corporate governance structure with the Board as the core. The Board exercises management and decision-making powers according to the Articles of Association and the authorisations granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Company’s operating and development, ensuring the achievement of preset strategic goals and supervising and inspecting the Company’s development and operation.

The governance rules of the Company is based on the “Articles of Association”, which covered overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties, including the fiduciary and diligence duties of the Directors, etc.. The full text of the “Articles of Association” is available on the website of the Company.

The Board is responsible for drawing up mid to long-term development strategies of the Company, including its corporate mission, values, entrepreneurship, strategic goals, development planning and implementation assurance. The latest strategy of the Company is the “14th Five-Year Plan” (2021–2025) development strategy, which has been approved at The Second Extraordinary General Meeting 2021.

The Company has discussed and analyzed the operating performance of the Group in its annual report every year, including the impact of internal and external environment on the operation of the Group and its movement trend, industry situation and the development status of the Group, the actual operating results and its influencing factors for the year, the completion of business plan and the prospects and planned objectives for the next year etc.

A.2 Corporate governance function

The code provisions that we complied with	A.2.1
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The Board is responsible for the performance of its duty on corporate governance. The Board established five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. The “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors” have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company’s development and operation. Each specialised committee has its terms of reference, which explicitly explains and defines its duties and powers, and has been approved by the Board. The “Articles of Association” · “Rules of Procedures for the Board of Directors” and the terms of reference of various specialised committees are available on the website of the Company. The committees shall be authorised by the Board to exercise their powers under the terms of reference. The committees shall be accountable to the Board but shall not enjoy exclusive powers. They shall not replace the Board in exercising their decision and management powers unless duly authorised.

During 2022, the Board regularly received reports on the reviews of the rules on governance, the compliance in operation of the Company, the Directors’ compliance in performance of duties and the training and growth of the management personnel, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also reviewed the periodic report, review checklists and special internal audit report, etc., submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

B. The Composition and Nomination of the Board

B.1 The composition, succession and appraisal of the Board

The code provisions that we complied with	B.1.1~B.1.4
The recommended best practice(s) that we complied with	B.1.5~B.1.6

According to the requirements of the “Articles of Association”, the Board comprises 12 Directors. The Board regularly evaluates its structure, number of members and composition (including the skills, knowledge, experience of the Board members.) through the Nomination Committee.

The term of office of the ninth session of the Board is from 1 January 2021 to 31 December 2023. As at 31 December 2022, the Board comprises 10 members, including Liao Xiang Wen, Wang Zeng Jin and Wen Liang as Executive Directors, Dai Jing Ming, Li Xiao Yan and Lü Da Wei as Non-executive Directors, and Bai Hua, Li Fei Long, Miao Jun and Xu Hua Xiang as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, clean energy industry, financial, accounting and auditing, finance and securities, law and administration and human resources, and five of them (including two Independent Directors) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and make decisions in a more cautious and careful manner.

Corporate Governance Report

The Company has established the Board diversity policy. Under the policy, the Board takes full consideration of the actual business and development needs of the Company and follow the diversity principle when evaluating and nominating its members and forming the Board. The Board shall consider and assess the diversification of members in the aspects of age, gender, cultural and educational background, professional experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of the policy, and when appropriate, review the policy, and expand and review measurable targets. The Board shall include at least one female Director. The members of the ninth session of the Board demonstrated the diversity principle particularly well in the aspects of professional experience and background, length of service, age, gender, cultural and education background and independence.

The Company has published the latest list of Board members in a timely manner, which stated their roles and functions, including their respective roles in each specialised committee, and indicated whether they are independent non-executive Directors. The capacity of each Director (Executive Director, Non-executive Director or Independent Non-executive Director) is identified in all corporate communications that disclose the names of the Directors.

The Company reviews and concludes the performance of the Board in terms of its major tasks, operating results of the Company and relevant financial information, as well as the actual implementation of corporate governance during the year, and formulates a "Report of the Directors" to report to shareholders at the general meetings. The Independent Non-executive Directors submits the "Annual Duty Report of Independent Directors" to the general meeting to report their duties. The annual general meeting of the Company evaluate the Board's performance of duties.

The Board comprises four Independent Directors, representing no less than one-third of the number of members of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEX. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2022.

Details of the election and change of the Directors, the Directors' biographies, terms of office and key positions are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

B.2 Appointment, re-election and removal

The code provisions that we complied with

B.2.1~B.2.4

In accordance with the stipulations of the “Articles of Association” and its attachments, Directors are elected or replaced by general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of three years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting, and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors, and the Independent Directors and Non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the “Rules of Procedures for the Board of Directors” of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings. In order to make the shareholders have a better understanding of the procedures of nomination of Directors, the Company has extracted the relevant clauses for the procedures of nomination of Directors separately and has posted them on the Company’s website.

B.3 Nomination Committee

The code provisions that we complied with

B.3.1~B.3.4

The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to C.4 below and “Corporate Governance Summary” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The “Terms of Reference of the Nomination Committee” approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Nomination Committee did not seek for independent professional advice for the performance of duties.

C. The Responsibilities of Directors, Delegation of Powers and Procedures of the Board**C.1 The responsibilities of Directors**

The code provisions that we complied with

C.1.1~C.1.8

The “Rules of Procedures for the Board of Directors”, the “Terms of Reference” of each specialised committee and the “Rules on Performing Duties by the Independent Directors” prepared by the Company has clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2022 was 100%, while attendance in person was 96%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 90%. Attendance of members in person at the general meetings was 95%. Please refer to “Corporate Governance Summary” in this annual report for the details of the attendance of Directors and the overview of the performance of duties of the Independent Directors during the year.

Corporate Governance Report

During the Reporting Period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they capitalised on their respective professional experience and expertise and provided independent judgments, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work in the best interest of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company has to provide the information about their services in other companies in time, including their services in other listed companies for the last three years. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the section of "Directors, Supervisors, Senior Management and Employees" in this annual report.

In accordance with Appendix 10 to the Listing Rules of HKEX titled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEX, and has gone beyond such standards to a certain extent. After making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2022, all Directors attended the 2022 serial topical training for directors, supervisors and executives of listed companies organised by Shenzhen Public Companies Association, Director Liao Xiang Wen attended the serial training courses for board chairmen and general managers of listed companies organised by China Association for Public Companies, and Independent Director Bai Hua attended the subsequent training for independent directors organised by the Shanghai Stock Exchange and the serial duty performance training for independent directors organised by China Association for Public Companies, and learned regulations on operations of listed companies systematically. During the year, the Company prepared one issue of "Reference Document Summaries for the Board", which systematically summarised and delivered the relevant regulatory documents concerning Directors' performance of duties and responsibilities, and sent ten regulatory documents relating to various laws and regulations of listed company and the industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Board and the Supervisory Committee to continuously and effectively learn the relevant regulatory guidance promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of duties of the Directors/Supervisors.

In accordance with the approval and authorisation of the general meeting, the Company has taken out liability insurance for the Directors, the Supervisors and senior management every year since 2008, and taken out adequate insurance for the legal actions that the aforementioned personnel may face, in order to promote the Company's resilience to risk, protect the legal rights and interests of shareholders and to build a professional risk prevention mechanism for the aforementioned personnel.

C.2 Chairman and Chief Executive Officer

The code provisions that we complied with

C.2.1–C.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to ensure the balance of power and authority. The Company's former Chairman Mr. Hu Wei has retired due to his age, and no longer serves as the Company's Chairman from 2 December 2022. The Company will select a new Chairman pursuant to the established procedure. To keep the Company's governance structure complete and ensure smooth daily operations, the Board adopted a resolution on 2 December 2022, approving Executive Director and President Mr. Liao Xiang Wen to lead the Board temporarily until the Board elected a new Chairman.

There was no affiliation or interest relationship between the Chairman and the President in the rest of 2022, except the above working arrangements of the Board, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and strive to achieve the Group's strategic target, ensuring effective operation of the Board and the standardization of corporate governance. The President, with the lead of the Board and the assistance of other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies and decisions laid down by the Board and making day-to-day management decisions and arrangements.

The Company has established information reporting and delivery mechanism for the Board to ensure that the Directors can obtain various information and messages required for their performance of duties on a timely basis. Please refer to C.5 below for details.

The Board encourages the Directors to maintain a prudent attitude as expected, to create an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their points of view, and to motivate the Directors, especially Non-executive Directors, to make objective and prudent decisions on proposals considered by the Board, thus to make effective contributions to the Company's strategy and policy formulation. During 2022, the Company solicited the opinions of all the Non-executive Directors, the Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. In addition, 1 special meeting was convened by the Company for the Executive Director/President and all the Independent Directors to fully discuss the Company's management and corporate governance. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" in this annual report and A.1 above for details.

Corporate Governance Report

C.3 The management function

The code provisions that we complied with

C.3.1~C.3.3

The functions of the Board and senior management of the Company are separated (details are set out in the “Articles of Association” and the attached “Rules of Procedures for the Board of Directors” and the “Rules on Performing Duties by the President”) to protect the relative independence of the decision-making of the Board and operating and management activities of the Company. The above rules have been published on the websites of the exchanges and the Company.

The Board is responsible for leading the Group’s development, determining the strategic goals of the Group and ensuring the availability of necessary resources for the Group to achieve pre-set strategic goals. The “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors” have clearly defined the powers of the Board and matters to be submitted to the Board of Directors for approval. The “Articles of Association” of the Company and “Rules of Procedures for the Management” have clearly defined the powers of the Management. The Company has performed corresponding approval procedures for business decisions and policies in strict accordance with such corporate governance system.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the “Rules of Procedures for the Executive Directors” to monitor and manage the authorised matters by establishing a mechanism on procedural management, filing and regular reviews. Specific information and management procedures relating to the authorisation have been clearly set out in the “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors”. In 2022, the Executive Directors held 27 meetings in total, during which they discussed and made decisions on matters regarding organisational structure adjustment, project investment and disposal, financing management, donation and assessment filing within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

C.4 The committees under the Board

The code provisions that we complied with

C.4.1~C.4.2

Five specialised committees have been set up under the Board, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board. These committees are responsible for conducting audit and monitoring on specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments, risk management and the nomination, assessment and remuneration of the management, and making corresponding recommendations to the Board. As at the end of the Reporting Period, the composition of each specialised committee of the Board is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Note 1	Bai Hua Independent Director	Li Fei Long Independent Director	Li Fei Long Independent Director	Xu Hua Xiang Independent Director
Member:	Liao Xiang Wen Executive Director	Li Fei Long Independent Director	Bai Hua Independent Director	Bai Hua Independent Director	Liao Xiang Wen Executive Director
	Dai Jing Ming Non-executive Director	Miao Jun Independent Director	Xu Hua Xiang Independent Director	Miao Jun Independent Director	Wang Zeng Jin Executive Director
	Li Fei Long Independent Director	Li Xiao Yan Non-executive Director	Li Xiao Yan Non-executive Director		Wen Liang Executive Director
	Miao Jun Independent Director				

Note 1: The Chairman of the Strategic Committee was formerly the Company's former Chairman Mr. Hu Wei. He has retired due to his age, and resigned from such positions as the Company's Chairman, Director and Chairman of the Strategic Committee under the Board on 1 December 2022.

Each specialised committee has appointed a person in charge of corresponding functional departments of the Company to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the rules of procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2022, the five specialised committees of the Company convened 15 meetings. For details, please refer to "Corporate Governance Summary" in this annual report.

Corporate Governance Report

C.5 Procedures of Board meetings and provision of and access to data

The code provisions that we complied with

C.5.1~C.5.10

The Board holds one regular meeting each quarter and convenes extraordinary meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors 14 days before the meeting is convened, while notices of extraordinary meetings have been dispatched at least 5 days before the meeting is convened. If a substantial shareholder or a Director has material conflict of interest in the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is connected or interested in the same shall not have any voting rights and shall be absent when necessary.

In 2022, the Board convened 12 plenary meetings, 27 executive Directors' meetings and signed two written resolutions of the Board. It has discussed and made decisions on issues covering the Group's financial reports, operation analysis and budget implementation, annual risk management plan and regular review and monitoring, business development and challenges, investment and financing plans, accounting policies and estimates, connected transactions, nomination of Directors, recruitment and appointment of senior management and compensation performance. During the year, when the Board deliberated relevant proposals, the Directors who had material interest in such proposal had complied with the avoidance principle and abstained from voting. For example, when considering the related/connected transactions in such proposals as the direct lease operations of Shen'an Port, the purchase Shenzhen International – Vanke Hesongxuan apartments, and the capital reduction of United Land, the Directors holding office in Shenzhen International Group (excluding the Group) and other Directors holding interests had declared their interests to the Board and abstained from voting.

The meeting minutes of the Board and Board committees contain the details of the matters discussed in the meeting, which include the enquiries and suggestions proposed, the agreement or objection expressed and the final voting results of the Board. The draft of the meeting minutes should be delivered to all Directors for comments within reasonable time after each meeting. After confirmed by all Directors, the final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to all Directors for filing. The meeting minutes are also available for Directors' access at any time through the Secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accountants firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the "Rules of Procedures for the Board of Directors" and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or independent Board committee for the engagement of independent financial advisor for the connected transactions, and shall be determined by a majority of votes and agree of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum.

The management of the Company has provided the Board, the specialised committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/Supervisors have raised reasonable inquiries, the management shall make appropriate response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least three days before the meetings. In addition, each Director and Supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries of the specialised committees when necessary.

Non-executive Directors (including Independent Directors) and Supervisors of the Company are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2022, the Company supported the performance of duties of the Directors and Supervisors through the following approaches:

- ◆ Arranged the management to report the progress of the material matters of the Group on the meetings of the Board;
- ◆ Arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2021 and the work plan in 2022, budget objectives, as well as the progress of the major works and projects including operating condition, project construction, environmental protection project investments and new industry expansion;
- ◆ Organized a special survey and a reporting meeting for the Jihe Expressway Reconstruction and Expansion Project, and helped the Directors and Supervisors gain a better understanding of the construction, investment and financing plan, and related work progress of the Jihe Expressway Reconstruction and Expansion Project;
- ◆ Dispatched "Operation Information Monthly", which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of the Board;
- ◆ Arranged the Directors and Supervisors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

Corporate Governance Report

C.6 Company Secretary

The code provisions that we complied with	C.6.1~C.6.4
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The Secretary of the Board, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary of the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific matters. At the beginning of the Reporting Period, the Secretary of the Board was Ms Gong Tao Tao and the Joint Company Secretary were Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva. Ms. Gong Tao Tao resigned from the positions of the Secretary of the Board and the Joint Company Secretary due to her personal job change, which was approved by the Board. Since 10 March 2022, the Secretary of the Board is Ms. Zhao Gui Ping and the Joint Company Secretaries are Ms. Zhao Gui Ping and Ms. Lam Yuen Ling, Eva. In 2022, Ms. Zhao Gui Ping and Ms. Lam Yuen Ling, Eva both attended relevant training for not less than 15 hours in total to update their expertise and skills continually, and better support the operation of the Board.

The Secretary of the Board is also responsible in providing applicable laws and regulations, regulatory requirements and other relevant information and the latest trends to all Directors in a timely manner, and reasonably arranging the induction training and professional development of Directors, so as to ensure that the procedures of the Board and all applicable laws, rules and regulations are complied with, and provide support for Directors' compliance performance. During the respective terms of office, all Directors are able to contact the Secretary of the Board individually and independently when necessary to obtain more detailed information and opinions of the Secretary of the Board on governance matters.

D. Audit, Internal Control and Risk Management

D.1 Financial reporting

The code provisions that we complied with	D.1.1~D.1.4
The recommended best practice(s) that we complied with	D.1.5~D.1.6

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules, and prepared documents and disclosed information under the principle of more and stricter as possible, so as to meet the regulatory requirements of both the Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Apart from an in-depth analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that faced in operating activities, responsive measures, development strategies and prospect plans, etc. in annual reports to enhance investors' understanding on the Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 1 month upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions on the basis of fully understanding the required information. Please refer to C.1 and C.5 above for the details of the provision and support of the information.

Statement of the Responsibilities towards the Financial Statements of the Board:

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte”). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor's Report of this annual report.

It is in the Board's opinion that the financial statements are prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and they are in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

D.2 Risk management and internal control

The code provisions that we complied with	D.2.1–D.2.7
The recommended best practice(s) that we complied with	D.2.8–D.2.9

The Board has established the Risk Management Committee, and chaired by an Independent Director. Please refer to C.4 above and “Corporate Governance Summary” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The “Terms of Reference of the Risk Management Committee” approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Risk Management Committee did not seek for independent professional advice for the performance of duties.

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures in finance, operations, compliance and risk management, thereby safeguarding shareholders' interests and the Group's assets. During 2022, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by D.2.3 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to “Internal Control” in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

Corporate Governance Report

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system to review the Group's operating and management activities and the effectiveness of the internal control system. Internal audit personnel have the authority to access all information about the Company and make inquiries to relevant personnel at work. The General Manager of the Audit Department directly reports the result of his work to the Audit Committee, and the Audit Committee will then make recommendation to the management of the Company after consideration and examine the implementation of the rectification and improvement plan by way of follow-up inspection.

The Board established the "Anti-fraudulent Work Regulation" and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and the Audit Department have set up independent hotlines and email boxes for reporting any suspected cases which are posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor of the Company in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control and provide continual guideline and supervision on the anti-fraudulent work of the Company.

D.3 Audit Committee

The code provisions that we complied with

D.3.1~D.3.7

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedures and reporting quality of the Group; the evaluation of the soundness and effectiveness of the internal control system of the Company, supervision of fraudulent risk and management measures of the Company; responsible for the coordination with the work of the auditor and the evaluation of its efficiency and quality of work as well as its engagement; the review on the internal audit report and evaluation of the feedback from the management; and responsible for the control and daily management of connected transactions of the Company. Works falling under the scope of risk management are handled by the Risk Management Committee under the Board. Please refer to C.4 above and "Corporate Governance Summary" in this annual report for the details of the compositions of the Audit Committee and Risk Management Committee and their respective performance of duties. The "Terms of Reference of the Audit Committee" approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2022, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the following:

- ◆ The committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit, the committee held meetings with the auditor and discussed the composition of its audit team members, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the annual financial statements of the Company, conducted preliminary reviews and issued opinions in writing for the statements.
- ◆ During the annual audit process, the committee maintained an ongoing communication with the management and the auditor, and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- ◆ The committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and issued its written opinions. The Audit Committee held two meetings in early 2023 (up to the Reporting Date) to review the 2022 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the committee is of the view that the Group's 2022 annual financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

Corporate Governance Report

The report of the auditor:

Upon the approval of the general meeting, the Company appointed Deloitte as the Company's auditor for the year of 2022 to carry out an audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEX. The Company appointed Deloitte as the statutory auditor in 2021, which has provided auditing services to the Group for two consecutive years.

The remunerations of the Company's auditor for the year 2022 are set out as follows:

(Unit: RMB'000)	2022	2021
Financial statements audit/review fees	3,240	2,700
Internal control audit fees	450	400
Others	1,411	1,135

Notes:

1. The auditor has submitted to the Company a written confirmation letter in respect of the total amount of the aforementioned remunerations.
2. Other services provided by Deloitte in 2022 included audit of asset clearance and capital verification and audit of proposed investment and merger projects, etc.

Save as the above-mentioned, a total of 57 wholly-owned or controlled subsidiaries of the Company, including Bay Area Development have hired Deloitte Touche Tohmatsu Certified Public Accountants, Shenzhen Zhenxing Certified Public Accountants (General Partnership) and Hong Kong Lixianhui An accounting firm to provide services. The audit fees for the year 2022 amounted to HKD2,100,000, RMB630,000 and HKD39,000, respectively.

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarised the 2022 audit work of Deloitte. The committee is of the view that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

E. Remuneration

E.1 Standard and composition of remuneration and its disclosure

The code provisions that we complied with	E.1.1~E.1.5
The recommended best practice(s) that we complied with	E.1.6~E.1.9

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. Please refer to C.4 above and “Corporate Governance Summary” in this annual report for the details of the composition of the Remuneration Committee and its performance of duties. The “Terms of Reference of the Remuneration Committee” approved by the Board has been published on the websites of the stock exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of the Directors, Supervisors and senior management on a named basis. Please refer to the section headed “Directors, Supervisors, Senior Management and Employees” in this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

F. Shareholders Engagement

F.1 Effective communication

The code provisions that we complied with	F.1.1
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The Company has been complying with the principle of equal treatment of all investors, and established a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to “Investor Relations” in this annual report and F.2 below for details.

The Company has always committed itself to creating higher corporate value and has actively implemented the profit distribution policy of cash dividend which balances the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 25 consecutive years with an aggregate cash dividend payment of approximately RMB12.23 billion.

According to the “Articles of Association”, the Company should distribute dividends in cash each year provided that the cash dividend conditions are satisfied. The profit distributed by cash by the Company for the year shall not be less than 20% of the distributable profit for the year, and the profit distributed by cash by the Company for three consecutive years in aggregate shall not be less than 30% of the distributable profit for the three years.

Corporate Governance Report

According to the “Plan of Shareholders’ Return for 2021–2023” approved by the Company’s general meeting, the Company will strive to increase the cash dividend distribution ratio for the years from 2021 to 2023 if the conditions for cash dividend distribution can be fulfilled. When the financial and cash position of the Company is satisfactory and there be no material investment plans or cash expenditures, the profit proposed to be distributed in cash shall not be lower than 55% of the net profit attributable to Shareholders of the parent company pursuant to the consolidated statement of the year, net of profit distributable to holders of other equity instruments such as perpetual bonds (if any).

The Company regularly discloses the details of total number of shares, categories of shareholders, substantial shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report for details.

F.2 General Meetings

The code provisions that we complied with

F.2.1~F.2.3

The Company encourages all shareholders to attend the general meetings. In 2022, a total of two general meetings were held by the Company. For details, please refer to the “Corporate Governance Summary” in this annual report.

The Company serves a notice of at least 15 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting for consideration is put forth respectively as a separate resolution. According to the provisions of the “Articles of Association” of the Company, the qualified shareholders of the Company have the right to call general meetings and propose impromptu motions or collect voting rights from other shareholders in accordance with the established procedures. According to the Articles of Association, shareholder(s) who hold more than 10% of the Company’s shares with voting right may convene an extraordinary general meeting by written request. The Board has to convene an extraordinary general meeting within two months after receipt of such written request. In addition, shareholder(s) who individually or jointly hold more than 3% of the Company’s shares with voting right may request to include new resolution(s) at the next general meeting of the Company in writing. The content of such resolution(s) should be within the authority of the general meeting, with clear topics and specific matters to be resolved, and comply with relevant requirements under the laws, regulations and the Articles of Association. The Company shall include such matter(s) of the new resolution(s) which is within the authority of the general meeting in the agenda of its next general meeting. A cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in details in the Articles of Association of the Company and the attached Rules of Procedure for the General Meetings. The full texts of the “Articles of Association” of the Company and the “Rules of Procedure for the General Meetings” are available on the website of the Company.

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board or their representatives were also arranged to attend the annual general meeting to answer inquiries from the shareholders when necessary.

At a general meeting, all shareholders present at the meeting are entitled to make inquiries to the Directors and the management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their inquiries and express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any inquiries. The Board has formulated the “Rules of Investor Relationship Management” and the “Standards of Work for Investor Relationship Management”, which clearly defines the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders on an ongoing basis. Please refer to “Investor Relations” in this annual report for details.

The Company has formulated the “Rules of Procedures for the Shareholders’ Meeting” which clearly sets out the voting method and poll procedure at the general meetings to ensure the compliance with the requirements of the Listing Rules and the “Articles of Association” of the Company.

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (the proxy needs not to be a shareholder of the Company) to attend and vote at the general meeting.

Internal Control

I. Statement of Responsibilities towards Internal Control

To develop, improve and effectively implement internal control, assess its effectiveness and accurately disclose the assessment report on the internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organising and leading the daily operation of the Company's internal control.

The internal control objectives of the Company are to reasonably ensure that its operations and management are in compliance with the relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and results and facilitate the fulfilment of its development strategy. As the internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policies and procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of internal control evaluation.

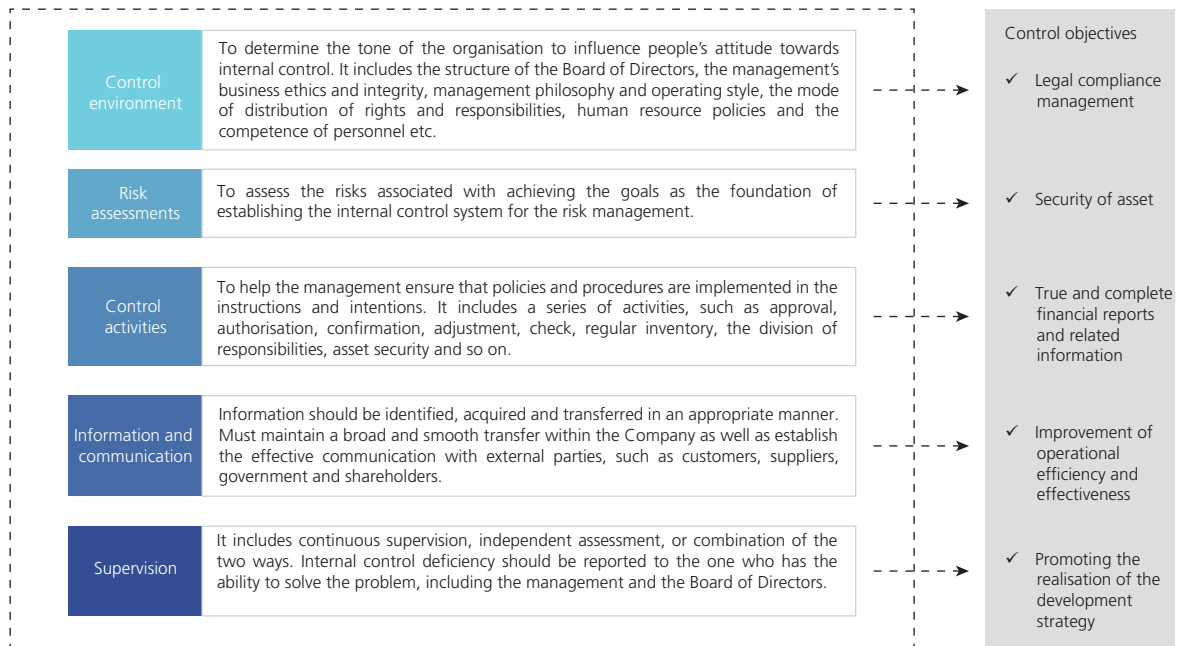
The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

II. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation and management in order to maintain a stable growth of the Company. The Company's prevailing management system covers the key management procedures of various business segments and supporting segments such as investment, project management, management on road assets, toll collection management, wind power operation, kitchen waste operation, financial management, general and administrative management, human resources management, information management, legal management, safety management, information disclosure management, management of investee companies, integrity management and internal audit.

As required in the Basic Standard for Enterprise Internal Control jointly issued by five ministries including Ministry of Finance and CSRC and the requirements set out in various internal control application guidelines, the Company formulated its own internal control manual to clarify the focuses of such aspect. In addition, the Company formulated the Quality Control Procedures for the Assessment of Internal Control, setting out the measures for the examination of internal control and assessment for the deficiency, and format for the preparation of an assessment report on internal control and disclosure procedures, with an aim to standardise the assessments on the Company's internal control.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision.



III. Risk Management

The Company improves its management capability and adaptability, and further ensures the realisation of the business objectives and sustainable steady growth through active and systematic identification, assessment and response to risk issues occurred in the operation process. The Company has formulated the Procedures for Risk Control and Management to define the risk assessment model and the risk evaluation criteria, and qualitative and quantitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks, so as to determine the levels of risk. In preparing the annual work plans, those major risks that may affect the achievement of the annual business objectives were identified, analysed and assessed by each unit of the Company, and corresponding risk response measures and annual risk management plan for each unit were formulated. In combination with the Company's annual business objectives and company strategy, the management determined the Company's key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan quarterly, in the middle and at the end of the year. Meanwhile, the Company has formulated reporting mechanism for major risk emergency events and quarterly material risk matters to strengthen the supervision on major risk events. In addition, the Company has also formulated the Management Rules on the Warning of Financial Risks (《財務風險預警管理辦法》) to regularly monitor the warning indicator system and hierarchically report the results to the management, Risk Management Committee and the Board.

Internal Control

IV. The Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the five basic elements of the internal control and continues to review the effectiveness of the Company's internal control system through the Audit Committee and its subordinate Audit Department. The Audit Department independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures of the Company and directly reports to the Audit Committee. Through the following tasks, the Audit Committee supervises and reviews the soundness and effectiveness of the Company's financial reporting and internal control system on an ongoing basis:

- ◆ Review and approve the annual Assessment Plan for Internal Control;
- ◆ Keep abreast of the progress of internal control system establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;
- ◆ Comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;
- ◆ Discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;
- ◆ Review the annual Assessment Report for Internal Control.

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2022 (the base date of the Assessment Report) and issued 2022 Assessment Report on Internal Control based on its routine monitoring and project-based supervision. The scope of evaluation included Shenzhen Expressway Corporation Limited, Guangdong Qinglian Highway Development Company Limited, Hunan Yichang Expressway Development Company Limited, Shenzhen Qinglong Expressway Company Limited, Shenzhen Expressway Investment Company Limited and its subsidiaries, Shenzhen Expressway Environmental Company Limited and its subsidiaries, Shenzhen Outer Ring Expressway Investment Company Limited, Shenzhen Meiguan Expressway Company Limited, Shenzhen Expressway New Energy Holdings Co., Ltd. and its subsidiaries, Mei Wah Industrial (Hong Kong) Limited, Jade Emperor Limited (JEL Company), Maxprofit Gain Limited (Maxprofit Company), Hunan Changsha Shenchang Expressway Company Limited, Shenzhen Expressway Operation Development Company Limited and its subsidiaries, Shenzhen Expressway Construction Development Company Limited and its subsidiaries, Shenzhen Expressway Financial Leasing Company Limited, Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited and its subsidiaries, Shenzhen Longda Expressway Company Limited, and Shenzhen Investment Holdings Bay Area Development Company Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The assets of the abovementioned assessed companies accounted for 99.25% of the Group's total assets as per the consolidated financial statements and their aggregated revenues accounted for 96.63% of the Group's total revenues.

Assessment Report for Internal Control 2022 of the Company (Chinese version) was disclosed on the website of SSE (<http://www.sse.com.cn>), the website of HKEX (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sz-expressway.com>) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Board of Directors is of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report to the issue date of the Assessment Report for Internal Control 2022, no factors that affected the conclusions on the effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

Deloitte Touche Tohmatsu Certified Public Accountants LLP appointed by the Company had audited the effectiveness of internal control relating to the Company's financial reporting, and issued its unqualified audit opinion. The audit report (Chinese version) was disclosed on the websites of the exchanges and the Company in separate reports.

Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on proper information disclosure and initiating various investor relation activities, and fully respects investors' rights of knowledge and option, while asserting to reward its shareholders.

I. Information Disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between the Company and its investors, the regulatory authorities and the public. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the fundamental principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns, so as to increase its transparency.

In 2022, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and published over 300 announcements and other shareholders' documents and information in both English and Chinese, disclosing in detail the following information about the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses of its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding of the operation, management and development trends of the Company.

II. Ongoing Communication

On the basis of a competent disclosure of information, the Company maintains effective two-way communication with investors through various channels and conveys information that investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

The management of the Company highly values investor relationship management. During the year, the Chairman, President, Chief Financial Officer, Secretary of the Board and the investor relations team of the Company actively participated in various investor exchange activities to communicate and interact with investors directly. The investor relations activities were mostly organised by the Company in the following forms:

- ◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website and the Shanghai Stock Exchange e-interaction Message section to promptly respond to investors' inquiries. In 2022, the Company responded to investor inquiries more than 240 times through telephone, email and website messages.

Investor Hotline: (86) 755 – 8669 8069
Investor Relations Email Box: ir@sz-expressway.com
Company Website: <http://www.sz-expressway.com>

- ◆ Properly arranging requests of visits and research from the investors, maintaining an open-minded attitude to exchange views and communicate with investors, and establishing a direct communication mechanism between investors and the Company. In 2022, the Company communicated with investors mainly through online means. To facilitate a convenient and efficient communication, the Company compared high-quality online communication tools and platforms, developed more communication channels and continuously refined its presentation materials, so as to accommodate the research needs of investors. During the year, the Company received in aggregate approximately 20 batches of analyst for research.
- ◆ Active in conducting or participating in various forms of domestic and overseas presentation activities, including result presentations and press conferences, online investor meetings, online roadshows and investor conferences organised by brokers and intermediaries. During the year, the Company interacted with a total of over 500 investors and media reporters

Details of major presentation activities during 2022 are as follows:

February	<ul style="list-style-type: none"> ◆ Participated in Changjiang Securities' Low Valuation & High Dividend Tour of Transportation Industry – Shenzhen Expressway (virtual) ◆ Participated in Huatai 2022 Spring Strategy Conference (Virtual) ◆ Participated in Sinolink Securities' 2022 Investment Strategy Summit (Virtual)
March	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway 2021 annual result presentation and press conference (Virtual) ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2021 annual results ◆ Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2021 annual results
April	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2022 first quarterly results
May	<ul style="list-style-type: none"> ◆ Participated in 2nd Season of RoadShowChina's Roadshow Conference (Virtual)
June	<ul style="list-style-type: none"> ◆ Participated in Shenzhen Expressway Special Exchange Meeting of Zheshang Securities 2022 Medium-term Strategy Summit (Virtual) ◆ Participated in Shenzhen Expressway Online Exchange Meeting of Industrial Securities Medium-term Strategy Meeting
August	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway 2022 interim result presentation and press conference (Virtual) ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2022 interim results ◆ Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2022 interim results
October	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway's Special Exchange Meeting for the R&E of Jihe Expressway ◆ Participated in China Merchants Securities' joint research on Shenzhen Expressway (Virtual) ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2022 third quarterly results

Investor Relations

November	<ul style="list-style-type: none"> ◆ Participated in the 2022 Virtual Investor Collective Reception Day of Listed Companies in Shenzhen ◆ Participated in Wonderful Sky 2nd IDEAS Summit 2022 (Virtual) ◆ Conducted the non-deal roadshows in Shanghai ◆ Participated in Industrial Securities 2023 China Capital Market Strategy Conference ◆ Participated in SWS Research 2023 Listed Companies Exchange Week (Shanghai) ◆ Participated in the 20th Session of PE Link's Exploration and Discovery Series (Virtual)
December	<ul style="list-style-type: none"> ◆ Participated in Changjiang Securities Listed Companies – Top Investors' Closed-door Exchange Conference ◆ Participated in CITICS Capital Market Conference 2023 (Virtual) ◆ Participated in Capital Securities Online Investment Strategy Conference 2023

- ◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of four issues of E-news and 14 result and progress presentation materials in 2022, providing information to investors on the Company's periodic operational management and project operational performance, and giving responses to issues which concern investors. Such information is sent by e-mails and uploaded to the Company's website for more investors' access at any time.
- ◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.
- ◆ The Company also timely handled and replied to investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

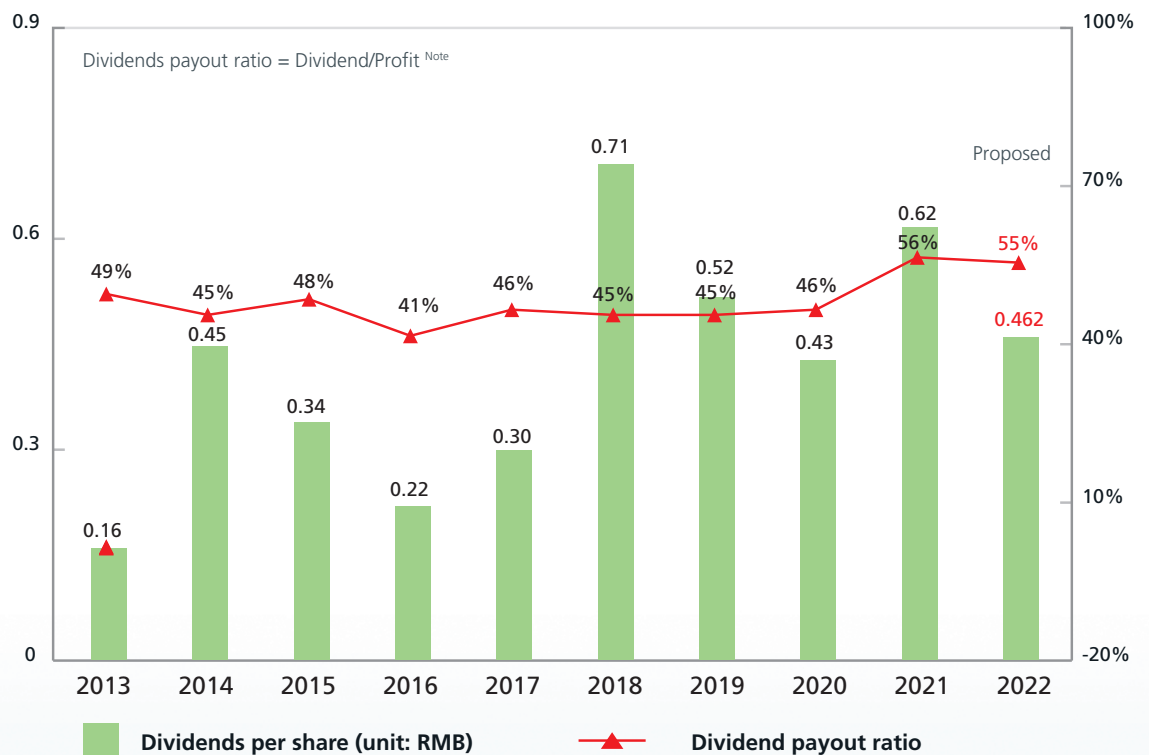
The Board of the Company has reviewed the implementation of the Company's shareholders' communication policy for 2022. Taking into account the afore-mentioned communication channels for investors, the steps taken and events organised by the Company, the Company is of the view that the shareholders' communication policy for 2022 has been implemented effectively.

III. Shareholder Return

The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 25 consecutive years with an aggregate cash dividend payment of approximately RMB12.23 billion.

The Board of the Company recommended the payment of a cash dividend of 0.462 (tax included) per share for the year 2022. The aforesaid proposal will be submitted for approval at the 2022 Annual General Meeting of the Company. For details of the dividend, policy and payment of cash dividends of the Company, please refer to “Financial Analysis” in “Discussion and Analysis of the Operations” of this annual report.

Historical Dividend Payout Ratio



Note: The dividend payout ratio was calculated based on the financial statistics of payout without taking into consideration of the effect of changes in accounting policies thereafter

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Note: The part marked with * in the notes to the financial statements is the new or more detailed disclosure in compliance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.



Auditor's Report

2022

De Shi Bao (Shen) Zi (23) No. P01731

TO THE SHAREHOLDERS OF SHENZHEN EXPRESSWAY CORPORATION LIMITED:

I. OPINION

We have audited the financial statements of Shenzhen Expressway Corporation Limited ("Shenzhen Expressway Company"), which comprise the consolidated and company statements of financial position as at 31 December 2022, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared and present fairly, in all material respects, the consolidated and Company's financial position of Shenzhen Expressway Company as at 31 December 2022, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Shenzhen Expressway Company in accordance with the Code of Ethics for Chinese Certified Public Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of financial statements of the year 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

Allocation of franchise rights associated with toll roads

As disclosed in Note V, 19 (3) to the financial statements, as at 31 December 2022, the carrying amount of the franchise rights of Shenzhen Expressway Company associated with toll roads was RMB 22,507,218,153.23, and the amortization amount of the franchise rights in 2022 was RMB 1,577,830,254.26. The franchise rights of Shenzhen Expressway Company associated with toll roads are amortized over the operating period of the toll roads according to the traffic volume method. Amortization is provided on projected units-of-usage, which is calculated based on the total projected traffic volume during the operating period of each toll road and the carrying amount of the franchise rights associated with toll roads, combined with the actual traffic volume during each accounting period. The total projected traffic volume refers to the forecast of the management of Shenzhen Expressway Company for the total traffic volume during the operating period, which is a significant accounting estimate. Therefore, we identified the allocation of franchise rights associated with toll roads as a key audit matter audited in the consolidated financial statements.

III. KEY AUDIT MATTERS (CONTINUED)

Allocation of franchise rights associated with toll roads (continued)

For above key audit matter, the audit procedures we performed mainly include:

- (1) Testing and evaluating the operating effectiveness of key internal controls associated with the amortization of the franchise rights;
- (2) Inspecting the reasonableness of the calculation process of actual traffic volume data applied by Shenzhen Expressway Company in calculating the amortization of the franchise rights;
- (3) Assessing the independence and professional competence of the third party organization employed by Shenzhen Expressway Company for the purpose of performing traffic volume forecast;
- (4) Obtaining the traffic volume forecast report issued by the third party organization, understanding the method for predicting the traffic volume in the future operation period, and evaluating the reliability of the traffic volume forecast by comparing the projected traffic volume in the past years with the actual traffic volume during the period;
- (5) Recalculating the amortization of the franchise rights to verify the amortization amount of such franchise rights for accuracy.

IV. OTHER INFORMATION

The management of Shenzhen Expressway Company is responsible for the other information. The other information comprises the information included in the 2022 Annual Reports of Shenzhen Expressway Company, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Auditor's Report

2022

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Shenzhen Expressway Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

While preparing the financial statements, the management is responsible for assessing Shenzhen Expressway Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern assumption, unless the management either intends to liquidate Shenzhen Expressway Company or to terminate operations, or has no other realistic options.

Those charged with governance are responsible for overseeing the financial reporting process of Shenzhen Expressway Company.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on Shenzhen Expressway Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause Shenzhen Expressway Company to cease to continue as a going concern.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and evaluate whether the financial statements fairly represent the underlying transactions and events.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Shenzhen Expressway Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report if the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountants
(Engagement Partner)

Shanghai, China
24 March 2023

Chinese Certified Public Accountants

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Statement of Financial Position

As at 31 December 2022
(RMB)

Item	Notes	31 December 2022	31 December 2021 (Restated)
Current assets:			
Cash at banks and on hand	V. 1	3,635,862,158.72	5,948,688,887.14
Transactional financial assets	V. 2	1,112,243,771.54	564,018,179.30
Bills receivable	V. 3	3,500,000.00	87,388,115.83
Accounts receivable	V. 4	1,052,263,013.07	993,613,902.45
Prepayments	V. 5	225,509,293.25	191,350,700.74
Other receivables	V. 6	1,121,628,992.41	981,250,269.52
Inventories	V. 7	1,314,262,956.81	1,338,820,859.08
Contract assets	V. 8	377,341,353.82	395,182,028.57
Non-current assets due within one year	V. 9	196,704,222.31	235,808,874.20
Other current assets	V. 10	257,805,744.15	546,140,489.67
Total current assets		9,297,121,506.08	11,282,262,306.50
Non-current assets:			
Long-term prepayments	V. 11	996,880,056.74	1,792,084,894.91
Long-term receivables	V. 12	2,152,166,502.48	1,116,297,854.71
Long-term equity investments	V. 13	17,749,069,948.37	19,108,413,241.29
Other non-current financial assets	V. 14	763,264,630.44	738,846,474.26
Investment properties	V. 15	26,068,821.95	38,850,893.38
Fixed assets	V. 16	7,209,500,786.33	5,709,992,223.45
Construction in progress	V. 17	225,703,626.92	1,779,732,996.87
Right-of-use assets	V. 18	75,412,073.15	366,721,652.00
Intangible assets	V. 19	26,847,604,300.36	27,091,053,905.41
Development expenditures		5,500,636.18	25,767,094.71
Goodwill	V. 20	202,893,131.20	248,932,906.44
Long-term prepaid expenses		53,624,450.56	53,969,025.42
Deferred tax assets	V. 21	423,407,651.00	451,230,984.30
Other non-current assets	V. 22	3,173,250,142.00	2,500,778,712.94
Total non-current assets		59,904,346,757.68	61,022,672,860.09
Total assets		69,201,468,263.76	72,304,935,166.59

Item	Notes	31 December 2022	31 December 2021 (Restated)
Current liabilities:			
Short-term borrowings	V. 23	9,396,229,275.32	4,120,586,329.34
Transactional financial liabilities	V. 24	133,009,243.01	–
Bills payable	V. 25	228,669,880.66	87,244,188.73
Accounts payable	V. 26	2,812,967,920.77	2,502,175,159.44
Advances from customers	V. 27	794,329.08	12,829,596.78
Contract liabilities	V. 28	30,333,016.72	219,246,400.33
Employee benefits payable	V. 29	363,794,024.54	364,069,719.08
Taxes payable	V. 30	507,605,023.01	594,812,841.07
Other payables	V. 31	1,371,768,690.38	1,776,497,691.50
Non-current liabilities due within one year	V. 32	6,380,323,337.26	4,974,845,270.24
Other current liabilities	V. 33	2,017,855,853.48	2,037,992,294.21
Total current liabilities		23,243,350,594.23	16,690,299,490.72
Non-current liabilities:			
Long-term borrowings	V. 34	9,573,248,109.29	10,069,194,495.36
Bonds payable	V. 35	5,769,517,430.62	7,086,863,713.17
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities	V. 36	47,738,699.35	326,956,105.32
Long-term payables	V. 37	1,148,281,363.36	4,393,072,497.98
Long-term employee benefits payable	V. 38	115,716,411.45	187,966,149.45
Provisions	V. 39	187,330,812.16	173,542,101.05
Deferred revenue	V. 40	474,342,722.05	557,479,916.10
Deferred tax liabilities	V. 21	1,281,034,171.47	1,286,986,799.74
Total non-current liabilities		18,597,209,719.75	24,082,061,778.17
Total liabilities		41,840,560,313.98	40,772,361,268.89
Shareholders' equity:			
Equity	V. 41	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V. 42	4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve	V. 43	4,390,599,135.60	8,864,157,411.51
Other comprehensive income	V. 44	(408,012,206.05)	426,519,781.12
Surplus reserve	V. 45	3,103,651,659.99	2,931,599,472.69
Undistributed profits	V. 46	8,079,278,802.54	7,157,542,961.33
Total equity attributable to shareholders of the parent company		21,346,287,718.08	25,560,589,952.65
Minority interests		6,014,620,231.70	5,971,983,945.05
Total shareholders' equity		27,360,907,949.78	31,532,573,897.70
Total liabilities and shareholders' equity		69,201,468,263.76	72,304,935,166.59

The accompanying notes form part of the financial statements.

The financial statements are signed by the following persons:

Liao Xiangwen
Head of the Company

Zhao Guiqing
Chief Financial Officer

Jiang Weiqi
Head of Accounting Department

Company Statement of Financial Position

As at 31 December 2022

(RMB)

Item	Notes	31 December 2022	31 December 2021
Current assets:			
Cash at banks and on hand		1,706,204,173.44	1,318,950,586.02
Transactional financial assets		450,000,000.00	–
Accounts receivable	XIV. 1	29,184,614.09	28,323,582.38
Prepayments		12,936,861.27	17,737,721.77
Other receivables	XIV. 2	2,505,378,219.49	2,229,816,126.35
Inventories		1,208,231.34	1,663,750.14
Contract assets		120,715,346.96	136,031,512.99
Other current assets		–	6,234,306.57
Total current assets		4,825,627,446.59	3,738,757,586.22
Non-current assets:			
Long-term prepayments		697,940,786.69	339,279,452.80
Long-term receivables		3,017,447,032.09	4,146,865,923.66
Long-term equity investments	XIV. 3	25,164,612,457.19	29,189,194,760.91
Other non-current financial assets		709,336,660.44	684,818,504.26
Investment properties		10,071,441.24	10,647,165.48
Fixed assets		1,842,404,378.38	258,004,968.13
Construction in progress		7,317,459.69	1,627,322,812.42
Right-of-use assets		26,789,811.48	46,350,454.93
Intangible assets		1,779,348,086.76	1,513,360,455.99
Development expenditures		5,500,636.18	3,398,706.00
Long-term prepaid expenses		9,820,231.89	13,399,635.08
Deferred tax assets		16,345,498.52	10,609,481.42
Other non-current assets		367,227,159.65	340,063,555.47
Total non-current assets		33,654,161,640.20	38,183,315,876.55
Total assets		38,479,789,086.79	41,922,073,462.77

Item	Notes	31 December 2022	31 December 2021
Current liabilities:			
Short-term borrowings		715,245,676.50	1,151,987,781.72
Bills payable		40,445,702.74	–
Accounts payable		209,756,712.61	89,481,915.35
Contract liabilities		60,739,625.54	–
Employee benefits payable		136,950,095.34	152,854,319.16
Taxes payable		24,092,919.85	19,941,411.95
Other payables		4,262,472,342.65	3,532,622,165.98
Non-current liabilities due within one year		3,429,550,429.26	1,089,476,333.98
Other current liabilities		2,016,515,923.01	2,135,948,299.05
Total current liabilities		10,895,769,427.50	8,172,312,227.19
Non-current liabilities:			
Long-term borrowings		1,687,920,000.00	4,135,623,027.16
Bonds payable		5,769,517,430.62	7,086,863,713.17
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities		20,519,527.33	37,003,134.70
Long-term payables		944,646,715.85	2,131,451,615.06
Long-term employee benefits payable		69,919,951.40	125,144,101.40
Provisions		65,381,994.08	62,327,925.72
Deferred revenue		219,296,617.87	250,916,020.55
Deferred tax liabilities		181,670,804.94	156,388,746.25
Total non-current liabilities		8,958,873,042.09	13,985,718,284.01
Total liabilities		19,854,642,469.59	22,158,030,511.20
Shareholders' equity:			
Equity	V. 41	2,180,770,326.00	2,180,770,326.00
Other equity instruments		4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve		1,894,077,082.82	2,812,538,343.92
Other comprehensive income		878,238,969.01	891,992,169.01
Surplus reserve		3,103,651,659.99	2,931,599,472.69
Undistributed profits		6,568,408,579.38	6,947,142,639.95
Total shareholders' equity		18,625,146,617.20	19,764,042,951.57
Total liabilities and shareholders' equity		38,479,789,086.79	41,922,073,462.77

The accompanying notes form part of the financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(RMB)

Item	Notes	2022	2021 (Restated)
I. Operating income	V. 47	9,372,582,546.59	10,889,580,617.88
Less: Cost of services	V. 47	6,353,596,261.96	7,105,227,107.44
Taxes and surcharges	V. 48	40,442,395.71	78,340,603.31
Selling expenses	V. 49	35,575,461.38	59,700,478.67
General and administrative expenses	V. 50	443,718,875.29	571,854,287.68
Research and development expenses	V. 51	46,477,237.77	60,572,086.28
Financial expenses	V. 52	1,386,671,418.30	909,118,714.52
Including: Interest expenses		1,184,671,246.81	1,136,547,632.80
Interest income		129,688,062.60	175,845,173.70
Add: Other income	V. 53	31,950,022.73	42,452,054.53
Investment income	V. 54	1,533,896,512.10	967,757,621.90
Including: Income from investment in associates and joint ventures	V. 54	582,687,782.25	1,052,742,072.19
Gains from changes in fair value	V. 55	95,175,495.33	348,270,358.31
Credit impairment gains (losses)	V. 56	(83,223,668.30)	(52,126,979.64)
Gains (losses) on impairment of assets	V. 57	(164,116,480.76)	(117,161,160.11)
Gains on disposal of assets		7,297,414.27	17,391,358.90
II. Operating profit		2,487,080,191.55	3,311,350,593.87
Add: Non-operating income	V. 58	24,768,816.69	50,693,425.61
Less: Non-operating expenses	V. 59	27,323,961.12	4,940,377.55
III. Total profit		2,484,525,047.12	3,357,103,641.93
Less: Income tax expenses	V. 60	531,669,555.05	551,149,034.15
IV. Net profit		1,952,855,492.07	2,805,954,607.78
(I) Classified by business continuity			
1. Net profit from continuing operations		1,952,855,492.07	2,805,954,607.78
2. Net profit from discontinued operations		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		2,014,112,457.01	2,613,119,318.24
2. Profit or loss attributable to minority shareholders		(61,256,964.94)	192,835,289.54

Item	Notes	2022	2021 (Restated)
V. Other comprehensive income, net of tax		(887,241,272.68)	225,326,816.06
Other comprehensive income after tax attributable to shareholders of the parent company		(834,531,987.17)	212,121,779.03
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		(834,531,987.17)	212,121,779.03
1. Other comprehensive income that will be transferred to profit or loss under the equity method	V. 44	(23,265,119.18)	(16,232,639.91)
2. Translation differences of financial statements denominated in foreign currencies	V. 44	(811,266,867.99)	228,354,418.94
Other comprehensive income after tax attributable to minority shareholders		(52,709,285.51)	13,205,037.03
VI. Total comprehensive income		1,065,614,219.39	3,031,281,423.84
Total comprehensive income attributable to shareholders of the parent company		1,179,580,469.84	2,825,241,097.27
Total comprehensive income attributable to minority shareholders		(113,966,250.45)	206,040,326.57
VII. Earnings per share			
(I) Basic earnings per share		0.838	1.113
(II) Diluted earnings per share		0.838	1.113

The accompanying notes form part of the financial statements.

Company Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2022
(RMB)

Item	Notes	2022	2021
I. Operating income	XIV. 4	1,644,437,519.65	1,809,678,626.45
Less: Cost of services	XIV. 4	950,702,559.08	1,058,861,829.72
Taxes and surcharges		6,702,528.59	10,139,293.70
General and administrative expenses		187,407,006.16	323,036,956.52
Financial expenses		581,792,439.72	350,992,886.69
Including: Interest expenses		569,799,489.75	669,617,760.81
Interest income		180,227,426.27	290,855,180.25
Add: Other income		2,594,660.51	32,886,905.92
Investment income	XIV. 5	1,544,659,039.24	1,436,360,191.39
Including: Income from investment in associates and joint ventures		260,825,307.11	344,152,615.68
Gains from changes in fair value		24,518,156.18	146,533,000.93
Gains on disposal of assets		4,788,187.49	17,603,547.27
II. Operating profit		1,494,393,029.52	1,700,031,305.33
Add: Non-operating income		3,828,079.29	20,039,231.75
Less: Non-operating expenses		67,011.74	319,709.08
III. Total profit		1,498,154,097.07	1,719,750,828.00
Less: Income tax expenses		166,202,812.67	(771,044.97)
IV. Net profit		1,331,951,284.40	1,720,521,872.97
(I) Net profit from continuing operations		1,331,951,284.40	1,720,521,872.97
(II) Net profit from discontinued operations		–	–
V. Other comprehensive income, net of tax		(13,753,200.00)	13,008,016.24
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		(13,753,200.00)	13,008,016.24
1. Other comprehensive income that will be transferred to profit or loss under the equity method		(13,753,200.00)	13,008,016.24
VI. Total comprehensive income		1,318,198,084.40	1,733,529,889.21

The accompanying notes form part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(RMB)

Item	Notes	2022	2021 (Restated)
I. Cash flows from operating activities			
Cash received from rendering services and selling goods		7,222,429,098.33	7,912,418,707.23
Refund of taxes		282,860,588.71	185,969,573.22
Other cash received relating to operating activities	V.61(1)	306,565,463.92	386,063,605.23
Sub-total of cash inflows		7,811,855,150.96	8,484,451,885.68
Cash payments for goods and services		1,963,299,468.74	2,155,118,688.41
Cash payments to and on behalf of employees		1,090,599,013.24	1,003,039,776.26
Payments of taxes and surcharges		899,902,602.92	996,788,327.32
Other cash payments relating to operating activities	V.61(2)	488,563,954.87	572,189,106.79
Sub-total of cash outflows		4,442,365,039.77	4,727,135,898.78
Net cash flows from operating activities	V.62(1)	3,369,490,111.19	3,757,315,986.90
II. Cash flows from investing activities			
Cash received from recovery of investments		1,480,869,795.30	2,847,564,610.52
Cash received from returns on investments		974,378,888.60	1,031,682,291.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		53,589.38	23,709,191.47
Other cash received relating to investing activities	V.61(3)	185,574,050.99	1,080,144,131.33
Sub-total of cash inflows		2,640,876,324.27	4,983,100,224.79
Cash payments to acquire fixed assets, intangible assets and other long-term assets		2,091,484,736.48	3,798,531,427.76
Payments for investing activities		2,447,438,617.32	3,174,789,554.20
Cash payments to acquire subsidiaries and other business units	V.62(3)	1,540,378,082.30	668,394,314.56
Other cash payments relating to investing activities	V.61(4)	634,617.04	611,296,049.13
Sub-total of cash outflows		6,079,936,053.14	8,253,011,345.65
Net cash flows from investing activities		(3,439,059,728.87)	(3,269,911,120.86)

Consolidated Statement of Cash Flows

For the year ended 31 December 2022
(RMB)

Item	Notes	2022	2021 (Restated)
III. Cash flows from financing activities			
Cash received from capital contributions		5,821,468.00	28,846,202.00
Including: Cash received from capital contributions from minority shareholders of subsidiaries		5,821,468.00	22,906,202.00
Cash received from borrowings		25,077,978,472.81	20,626,379,631.69
Other cash received relating to financing activities	V.61(5)	32,136,606.04	530,826,339.05
Sub-total of cash inflows		25,115,936,546.85	21,186,052,172.74
Cash repayments of borrowings		23,780,445,660.77	15,360,468,960.59
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,966,159,451.85	2,823,430,794.15
Including: Payments for distribution of dividends or profits to minority shareholders by subsidiaries		336,754,530.31	335,888,958.07
Other cash payments relating to financing activities	V.61(6)	706,533,897.18	1,841,412,423.22
Sub-total of cash outflows		27,453,139,009.80	20,025,312,177.96
Net cash flows from financing activities		(2,337,202,462.95)	1,160,739,994.78
IV. Effect of foreign exchange rate changes on cash and cash equivalents			
		146,815,344.95	(6,031,273.86)
V. Net increase (decrease) in cash and cash equivalents			
Add: Cash and cash equivalents at the beginning of the year	V.62(1).2	(2,259,956,735.68)	1,642,113,586.96
		5,456,959,403.09	3,814,845,816.13
VI. Cash and cash equivalents at the end of the year			
	V.62(1).2	3,197,002,667.41	5,456,959,403.09

The accompanying notes form part of the financial statements.

Company Statement of Cash Flows

For the year ended 31 December 2022

(RMB)

Item	Notes	2022	2021
I. Cash flows from operating activities			
Cash received from rendering services and selling goods		1,219,498,669.59	1,584,256,219.86
Refund of taxes		10,828,066.60	64,064,593.03
Other cash received relating to operating activities		1,458,601,371.90	2,700,255,372.82
Sub-total of cash inflows		2,688,928,108.09	4,348,576,185.71
Cash payments for goods and services		152,738,125.77	427,442,581.00
Cash payments to and on behalf of employees		275,385,740.86	252,124,168.46
Payments of taxes and surcharges		191,296,029.22	117,798,222.05
Other cash payments relating to operating activities		397,641,104.79	610,280,377.06
Sub-total of cash outflows		1,017,061,000.64	1,407,645,348.57
Net cash flows from operating activities		1,671,867,107.45	2,940,930,837.14
II. Cash flows from investing activities			
Cash received from recovery of investments		3,850,000,000.00	539,474,000.00
Cash received from returns on investments		787,124,591.19	291,864,143.10
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	18,258,300.00
Other cash received relating to investing activities		2,623,138,786.23	5,864,896,573.16
Sub-total of cash inflows		7,260,263,377.42	6,714,493,016.26
Cash payments to acquire fixed assets, intangible assets and other long-term assets		714,838,515.34	2,311,123,036.06
Payments for investing activities		1,315,808,000.00	4,533,172,500.33
Other cash payments relating to investing activities		2,267,000,000.00	2,997,221,329.16
Sub-total of cash outflows		4,297,646,515.34	9,841,516,865.55
Net cash flows from investing activities		2,962,616,862.08	(3,127,023,849.29)
III. Cash flows from financing activities			
Cash received from borrowings		8,117,925,029.86	13,010,730,609.91
Other cash received relating to financing activities		230,000,000.00	657,248,057.86
Sub-total of cash inflows		8,347,925,029.86	13,667,978,667.77
Cash repayments of borrowings		10,414,782,472.80	11,786,336,995.77
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,087,309,752.67	1,702,819,132.52
Other cash payments relating to financing activities		54,651,553.84	44,804,898.81
Sub-total of cash outflows		12,556,743,779.31	13,533,961,027.10
Net cash flows from financing activities		(4,208,818,749.45)	134,017,640.67
IV. Effect of foreign exchange rate changes on cash and cash equivalents		24,065.57	(25,506.66)
V. Net increase (decrease) in cash and cash equivalents		425,689,285.65	(52,100,878.14)
Add: Cash and cash equivalents at the beginning of the year		1,274,483,092.45	1,326,583,970.59
VI. Cash and cash equivalents at the end of the year		1,700,172,378.10	1,274,483,092.45

The accompanying notes form part of the financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2022

RMB

Item	2022								
	Attributable to shareholders of the parent company								Total shareholders' equity
	Equity	Other equity instruments Perpetual bonds	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Minority interests	
I. Balance on 31 December 2021	2,180,770,326.00	4,000,000,000.00	6,121,182,678.26	865,342,698.21	2,931,599,472.69	8,540,070,494.76	24,638,965,669.92	3,132,810,669.87	27,771,776,339.79
Add: Changes in accounting policies	-	-	-	-	-	(4,783,489.67)	(4,783,489.67)	(2,341,159.82)	(7,124,649.49)
Business combination under common control	-	-	2,742,974,733.25	(438,822,917.09)	-	(1,377,744,043.76)	926,407,772.40	2,841,514,435.00	3,767,922,207.40
II. Balance on 1 January 2022 (Restated)	2,180,770,326.00	4,000,000,000.00	8,864,157,411.51	426,519,781.12	2,931,599,472.69	7,157,542,961.33	25,560,589,952.65	5,971,983,945.05	31,532,573,897.70
III. Changes for the year	-	-	(4,473,558,275.91)	(834,531,987.17)	172,052,187.30	921,735,841.21	(4,214,302,234.57)	42,636,286.65	(4,171,665,947.92)
(I) Total comprehensive income	-	-	-	(834,531,987.17)	-	2,014,112,457.01	1,179,580,469.84	(113,966,250.45)	1,065,614,219.39
(II) Shareholders' contributions and reduction in capital	-	-	(1,730,583,542.66)	-	-	(16,147,788.22)	(1,746,731,330.88)	437,107,067.40	(1,309,624,263.48)
1. Ordinary shares contributed by shareholders	-	-	2,738,738.90	-	-	-	2,738,738.90	5,811,468.00	8,550,206.90
2. Others	-	-	(1,733,322,281.56)	-	-	(16,147,788.22)	(1,749,470,069.78)	431,295,599.40	(1,318,174,470.38)
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,710,685,344.97)	(1,538,633,157.67)	(336,754,530.31)	(1,875,387,687.98)
1. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,538,633,157.67)	(1,538,633,157.67)	(336,754,530.31)	(1,875,387,687.98)
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-
1. Transfer of capital reserve to equity	-	-	-	-	-	-	-	-	-
2. Transfer of surplus reserve to equity	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-
(V) Effects of business combination under common control	-	-	(2,742,974,733.25)	-	-	634,456,517.39	(2,108,518,215.86)	-	(2,108,518,215.86)
(VI) Effects of business combination not under common control	-	-	-	-	-	-	-	56,250,000.01	56,250,000.01
IV. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	4,390,599,135.60	(408,012,206.05)	3,103,651,659.99	8,079,278,802.54	21,346,287,718.08	6,014,620,231.70	27,360,907,949.78

2021 (Restated)										
Attributable to shareholders of the parent company										
Item	Equity	Other equity instruments		Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Sub-total	Minority interests	Total shareholders' equity
		Perpetual bonds								
I. Balance on 31 December 2020	2,180,770,326.00	4,000,000,000.00	6,003,524,259.38	868,945,190.79	2,711,599,472.69	7,278,102,534.06	23,042,941,782.92	3,236,168,100.85	26,279,109,883.77	
Add: Business combination under common control	-	-	2,686,202,387.99	(654,547,188.70)	-	(970,425,075.84)	1,061,230,123.45	2,903,611,927.72	3,964,842,051.17	
II. Balance on 1 January 2021 (Restated)	2,180,770,326.00	4,000,000,000.00	8,689,726,647.37	214,398,002.09	2,711,599,472.69	6,307,677,458.22	24,104,171,906.37	6,139,780,028.57	30,243,951,934.94	
III. Changes for the year	-	-	174,430,764.14	212,121,779.03	220,000,000.00	849,865,503.11	1,456,418,046.28	(167,796,083.52)	1,288,621,962.76	
(I) Total comprehensive income	-	-	-	212,121,779.03	-	2,613,119,318.24	2,825,241,097.27	206,040,326.57	3,031,281,423.84	
(II) Shareholders' contributions and reduction in capital	-	-	174,430,764.14	-	-	-	174,430,764.14	(37,947,452.02)	136,483,312.12	
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	48,846,202.00	48,846,202.00	
2. Others	-	-	174,430,764.14	-	-	-	174,430,764.14	(86,793,654.02)	87,637,110.12	
(III) Profit distribution	-	-	-	-	-	(1,543,253,815.13)	(1,543,253,815.13)	(335,888,958.07)	(1,879,142,773.20)	
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	(1,543,253,815.13)	(1,543,253,815.13)	(335,888,958.07)	(1,879,142,773.20)	
(IV) Absorption and merger of wholly-owned subsidiaries	-	-	-	-	220,000,000.00	(220,000,000.00)	-	-	-	
IV. Balance on 31 December 2021 (Restated)	2,180,770,326.00	4,000,000,000.00	8,864,157,411.51	426,519,781.12	2,931,599,472.69	7,157,542,961.33	25,560,589,952.65	5,971,983,945.05	31,532,573,897.70	

The accompanying notes form part of the financial statements.

Company Statement of Changes in Equity

For the year ended 31 December 2022
(RMB)

Item	2022						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance on 1 January 2022	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,142,639.95	19,764,042,951.57
II. Changes for the year	-	-	(918,461,261.10)	(13,753,200.00)	172,052,187.30	(378,734,060.57)	(1,138,896,334.37)
(I) Total comprehensive income	-	-	-	(13,753,200.00)	-	1,331,951,284.40	1,318,198,084.40
(II) Shareholders' contributions and reduction in capital	-	-	(918,461,261.10)	-	-	-	(918,461,261.10)
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Others	-	-	(918,461,261.10)	-	-	-	(918,461,261.10)
(III) Profit distribution	-	-	-	-	172,052,187.30	(1,710,685,344.97)	(1,538,633,157.67)
1. Profit distribution to shareholders	-	-	-	-	-	(1,538,633,157.67)	(1,538,633,157.67)
2. Transfer to surplus reserve	-	-	-	-	172,052,187.30	(172,052,187.30)	-
III. Balance on 31 December 2022	2,180,770,326.00	4,000,000,000.00	1,894,077,082.82	878,238,969.01	3,103,651,659.99	6,568,408,579.38	18,625,146,617.20

Item	2021						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profits	Total shareholders' equity
I. Balance on 1 January 2021	2,180,770,326.00	4,000,000,000.00	2,978,192,273.96	(14,148,065.97)	2,711,599,472.69	6,172,061,322.48	18,028,475,329.16
II. Changes for the year	-	-	(165,653,930.04)	906,140,234.98	220,000,000.00	775,081,317.47	1,735,567,622.41
(I) Total comprehensive income	-	-	-	13,008,016.24	-	1,720,521,872.97	1,733,529,889.21
(II) Shareholders' contributions and reduction in capital	-	-	54,346,069.96	-	-	-	54,346,069.96
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	-	-	-	-	-	-
3. Others	-	-	54,346,069.96	-	-	-	54,346,069.96
(III) Profit distribution	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)
(IV) Effects of absorption and merger under common control	-	-	(220,000,000.00)	893,132,218.74	220,000,000.00	178,846,240.23	1,071,978,458.97
III. Balance on 31 December 2021	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,142,639.95	19,764,042,951.57

The accompanying notes form part of the financial statements.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

I. GENERAL INFORMATION OF THE COMPANY

Shenzhen Expressway Corporation Limited (formerly known as “Shenzhen Expressway Company Limited”, the “Company”) is a joint stock limited company established in Guangdong Province, the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen, the PRC. The head office of the Company is located at Hanking Center Tower, No. 9968, Shennan Avenue, Yuehai Street, Nanshan District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (the “Group”) are the construction, operation, management, investment of toll highways and environmental protection in China. The environmental business mainly includes recycling and treatment of solid waste and clean energy.

The parent company and actual controlling party of the Company are Shenzhen International Holdings Limited (“Shenzhen International”) and the State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipality (“Shenzhen SASAC”) respectively.

These financial statements have been approved for issue by the Company’s Board of Directors on 24 March 2023.

The details of scope of the consolidated financial statements are set out in Note VII “equity in other entities”. The details of changes in the consolidation scope of the financial statements are set out in Note VI “changes in scope of consolidation”.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Preparation basis

The Group implements the accounting standards for business enterprises and related regulations issued by the Ministry of Finance. In addition, the related financial information has been disclosed in accordance with the requirements of the *Rules on Preparation of Disclosures of Publicly Traded Company No. 15 – General Provisions on Financial Statements (Revised in 2014)*, *Hong Kong Companies Ordinance* and the *Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Going concern

As at 31 December 2022, the Group had total current liabilities in excess of total current assets by RMB13,946,229,088.15. The Group has unused bank credit lines totaling RMB30,461,824,127.62 as at 31 December 2022, however, they are not reserved by the banks so as to satisfy the Group’s debt and capital commitments. As the Group can solve the lack of working capital through reasonable financing arrangements, the financial statements have been prepared on a going concern basis.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

When the non-financial assets are measured at fair value, we should consider the market participants' ability of making economic benefits through applying the asset to the best use, or sell the assets to other market participants who can make economic benefits through applying the asset to the best use.

For financial assets whose transaction price is the fair value upon initial recognition and using valuation technique involving unobservable inputted value in subsequent measurement of fair values, the valuation technique should be adjusted during the valuation to make the results of initial recognition determined by valuation are equal to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than inputs within Level 1, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the consolidated and Company's financial position as at 31 December 2022, and the consolidated and Company's operating results, the consolidated and Company's changes in shareholders' equity and the consolidated and Company's cash flows for the year ended 31 December 2022 in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

An operating cycle refers to the period when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. Except for the real estate business, PPP/EPC construction and construction business on behalf of others, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of the real estate business is generally longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of PPP/EPC constructions and construction business on behalf of others are generally longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

5.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount (or the total face value of issued shares) of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving entities under common control and goodwill

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving entities under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving entities under common control and business combinations not involving entities under common control (Continued)

5.2 Business combinations not involving entities under common control and goodwill (Continued)

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving entities under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving entities under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority shareholders is presented as "Profit or loss attributable to minority shareholders" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the shareholders' interests and minority interests of the parent company are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving entities under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and carrying amount will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a 'package deal': (i) they are entered into at the same time or in contemplation of each other; (ii) they form a complete transaction designed to achieve an overall commercial effect; (iii) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; (iv) one transaction alone is not economically justified, but it is economically justified when considered together with other transactions. Where the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

7. Classification of joint arrangements

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group's joint arrangement is joint venture, which is accounted for using the equity method. Refer to Note III, 14.3.2 "Long-term equity investments accounted for using the equity method".

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Recognition criteria of cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time; cash equivalents are the Group's short-term (generally due within three months from the date of purchase), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

9. Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the gross carrying amount (other than the amortized cost) of monetary items at fair value through other comprehensive income are recognized in other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in other comprehensive income, and in profit or loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit or loss or as other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Translation of transactions and financial statements denominated in foreign currencies (Continued)

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for "undistributed profits" are translated at the spot exchange rates on the dates of the transactions; income and expense items in the income statement are translated at the average rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at average exchange rate for the period in which cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The closing balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the parent company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

Notes to Financial Statements

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(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. Initially recognized accounts receivable that do not contain significant financing components and accounts receivable that the Group decides not to consider a financing component of less than a year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (“Revenue Standards”) are initially measured at the transaction price defined by the Revenue Standards.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the gross carrying amount of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. These financial assets mainly include cash at banks and on hand, Bills receivable, accounts receivable, other receivables and long-term receivables, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The accounts receivable and Bills receivable classified as at FVTOCI upon acquisition are presented under financing with receivables, while the remaining items due within one year (inclusive) upon acquisition are presented under other current assets. Other financial assets of such type are presented as other debt investments if they are due after one year since the acquisition, or presented under non-current assets due within one year if they are due within one year (inclusive) since the balance sheet date.

Upon initial recognition, the Group irrevocably designates non-held-for-trading equity instrument investment except contingent considerations recognized in the business combination not under the same control as financial assets at fair value through other comprehensive income. Such type of financial assets is presented as other equity instrument investments.

A financial asset is classified as held for trading if one of the following conditions is satisfied:

- The obtaining of relevant financial assets is mainly for the purpose of sale in the near future;
- Relevant financial assets are part of the identifiable financial instrument combination under centralized management upon initial recognition and there is objective evidence indicating that recently there exists a short-term profit model.
- Relevant financial assets are derivatives, excluding derivatives following the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and those designated as at fair value through profit or loss:

- Financial assets that are unqualified for the classification as at amortized cost and at fair value through other comprehensive income are classified as at fair value through profit or loss.
- Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.

Financial assets at fair value through profit or loss are all presented under transactional financial assets except derivative financial assets. Financial assets due over one year since the balance sheet date (or without a fixed term) and expected to be held for over one year are presented under other non-current financial assets.

Notes to Financial Statements

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured subsequently at amortized cost using the effective interest method. Gains or losses arising from impairment or derecognition are recorded to profit or loss for the period.

The Group recognizes interest income for financial assets measured at amortized cost using the effective interest method. Interest income is determined by applying an effective interest rate to the gross carrying amount of the financial asset except for the following situation:

- For the purchased or originated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For purchased or originated financial assets that were not credit-impaired but have become credit-impaired in subsequent period, the Group calculates the interest income by applying the effective interest rate to the amortized cost of the financial assets in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Group will calculate the interest income by applying effective interest rate to the gross carrying amount of the financial assets.

10.1.2 Financial assets at FVTOCI

Impairment losses or gains related to financial assets at FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period, except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. Amounts charged to profit or loss for every period equal to the amount charged to profit or loss as it is measured at amortized costs. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

Subsequent to the designation of non-trading equity investments to financial assets at FVTOCI, the changes in fair value of such financial asset are recognized in other comprehensive income. Upon derecognition of the financial asset, the cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, revenue from dividends is recognized when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

10.2 Impairment of financial instruments

For financial assets at amortized cost, financial assets classified as at FVTOCI, lease receivables, contract assets, financial liabilities that are not at FVTPL and financial guarantee contracts that are not qualified for derecognition due to the transfer of financial assets or financial liabilities arising from continuing involvement of the transferred financial assets, the Group accounts for the impairment and recognizes the provision for losses on the basis of expected credit loss ("ECL").

For all contract assets, Bills receivable and accounts receivable arising from transactions regulated by Revenue Standards, and lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Lease, the Group recognizes the provision for losses at an amount equivalent to the lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk (Continued)

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- (1) Significant changes in internal price indicators as a result of a change in credit risk.
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: (i) the credit spread; (ii) the credit default swap prices for the borrower; (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; and (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (4) An actual or expected significant change in the financial instrument's external credit rating.
- (5) An actual or expected internal credit rating downgrade for the borrower.
- (6) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- (7) An actual or expected significant change in the operating results of the borrower.
- (8) Significant increases in credit risk on other financial instruments of the same borrower.
- (9) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (11) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk (Continued)

- (12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
- (13) Significant changes in the expected performance and behavior of the borrower.
- (14) Changes in the Group's credit management approach in relation to the financial instrument.

No matter whether the credit risk is increased significantly after above assessment, it indicates that the credit risk of such financial instrument has been increased significantly if it lasts over 30 (inclusive) days after the overdue payment of the financial instrument contract.

10.2.2 Credit-impaired financial asset

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (1) significant financial difficulty of the issuer or obligor;
- (2) a breach of contract, such as a default or past due event;
- (3) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (4) It is becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) the disappearance of an active market for that financial asset because of financial difficulties;
- (6) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Based on the internal credit risk management of the Group, the Group considers that a default event happens if the financial instrument debtor cannot make a repayment fully to the debtors including the Group (irrespective of any guarantee obtained by the Group) according to internal suggestions or external information.

Regardless of the above assessment, the Group presumes that a financial instrument is in default if the contractual payment of the financial instrument has been overdue for more than (inclusive) 90 days.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.3 Recognition of expected credit losses

The Group assesses the expected credit losses for financial instruments individually and collectively. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses for accounts receivable on the basis of the aging. See the following table:

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics

Portfolio I Receivables from government and related parties	Specific identification
Portfolio II Receivables from customers in wind turbine generators sales industry	Aging analysis
Portfolio III Receivables from kitchen waste disposal clients	Aging analysis
Portfolio IV Receivables from other third parties other than those in Portfolio I, II and III	Aging analysis

ECL of relevant financial instruments is recognized based on the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For a lease receivable, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flow to be received.
- For financial guarantee contracts (refer to Note III, 10.4.1.2.1 for specific accounting policies), credit losses are the present value of the difference between the expected payment to be made by the Group to the contract holder for the credit losses incurred, and the amount the Group expects to receive from the contract holder, the debtor or any other parties.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

10.2.4 Write-down of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- For financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a liability upon receipt.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments

Financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition according to not only the legal form but also the contractual arrangements and their economic substance of the financial instruments issued by the Group in consideration of the definitions of financial liability and equity instrument.

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.4.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of Transactional financial liabilities (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss. The financial liabilities at fair value through profit or loss are presented as Transactional financial liabilities except for the derivative financial liabilities that are presented individually.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- The objective to undertake the relevant financial liabilities is mainly for the repurchase in the near future.
- The relevant financial assets are a part of the identifiable financial instrument combination under the concentrated management of the Group upon initial recognition, and there is an objective evidence indicates that a short-term profitability mode exists actually in a short term.
- The relevant financial liabilities are derivatives, excluding the derivatives consistent with the definition of financial guarantee contract and the derivatives designated as effective hedging instruments.

On initial recognition, financial liabilities that meet one of the following conditions are designated by the Group as financial liabilities at fair value through profit or loss: 1) Such designation eliminates or significantly reduces accounting mismatch; 2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; 3) The qualified hybrid financial instrument combines financial liability with embedded derivatives.

Transactional financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments (Continued)

10.4.1 Classification, recognition and measurement of financial liabilities (Continued)

10.4.1.1 Financial liabilities at fair value through profit or loss (Continued)

The amount of change in the fair value of the financial liability at FVTPL that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Other gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

10.4.1.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortized cost, except for financial liabilities and financial guarantee contracts that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and gains or losses arising from derecognition or amortization are recognized in profit or loss for the period.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial asset and shall recognize related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

10.4.1.2.1 Financial guarantee contract

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or are for the financial liabilities arising as the transfer of financial assets do not meet the derecognition condition or arising from continuous involvement of transferred financial assets are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognized initially less the accumulated amortization amount determined on the basis of relevant Revenue Standards.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments (Continued)

10.4.2 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the borrower) and the lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.4.3 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.5 Derivatives and embedded derivatives

Derivative instruments, including forward foreign exchange contracts and foreign exchange option contracts, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a stand-alone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- (2) A stand-alone instrument with the same terms as the embedded derivative conforms to the definition of a derivative.
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent balance sheet date after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

10.6 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include real estate development properties, raw materials, work in progress, finished goods, low-value consumables and others, etc.

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on.

Inventories are initially measured at cost. Cost of real estate development comprises land cost, construction cost and other costs. Cost of raw materials, work in progress and finished goods comprises costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The cost of completed properties held for sale is determined using the specific identification method. The actual cost of raw materials, work in progress, and finished goods upon delivery is calculated using the FIFO method. The actual cost of maintenance and repair parts upon delivery is calculated using the weighted average method.

11.3 Basis for the determination of net realizable value

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the net realizable value is lower than the cost, the provision for decline in value of inventories should be made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories are appropriated at cost of individual inventory item over its net realizable value.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (continued)

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

11.5 Amortization method for low value consumables and packaging materials

Low value consumables and packaging materials are amortized using the immediate write-off method.

12. Contract assets

12.1 Determination method and standards of contract assets

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

12.2 Determination and accounting methods of expected credit loss of contract assets

For the determination and accounting methods of expected credit loss of contract assets, refer to Note III, "10.2 Impairment of financial instruments".

13. Assets classified as held-for-sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Assets classified as held-for-sale (Continued)

The Group measures the no-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets is made. When there is increase in the net amount of fair value of non-current Transactional financial assets less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is included in profit or loss for the period. Impairment losses of assets recognized before they are classified as held for sale will not be reversed.

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

14. Long-term equity investments

14.1 Determination criteria of joint control and significant influence

Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influences are the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.2 Determination of initial investment costs

For a long-term equity investment acquired through a business combination involving entities under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as Equity. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of carrying amount of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or investments in non-trading equity instruments designated as at fair value through other comprehensive income is not subject to accounting treatment temporarily.

For a long-term equity investment acquired through business combination not involving entities under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as investments in non-trading equity instruments designated as at fair value through other comprehensive income, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to retained earnings.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (continued)

14.2 Determination of initial investment costs (Continued)

The intermediary fees incurred by the absorbing party or acquirer such as audit legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (ASBE 22) and the additional investment cost.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

14.3.2 Long-term equity investments accounted for using the equity method

Investments in joint ventures are accounted for using the equity method, except for investments in associates and joint ventures that are classified in whole or in part as held-for-trading financial assets. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.3 Subsequent measurement and recognition of profit or loss (Continued)

14.3.2 Long-term equity investments accounted for using the equity method (Continued)

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. When the investment output of our corporation could be considered as business, and the investor receive long-term equity investment without the acquisition of controlling, the fair value of the investment business should be considered as the initial capital of the new long-term equity investment. The difference between initial investment capitals of the carrying amount of investment business will be entirely included in current profit or loss. The difference between the prices of the sold assets which could constitute as business and the carrying amount of the business will be entirely included in current profit or loss. The assets of the corporation which purchased from joint companies and joint ventures that could be consider as business will be dealt on the basis of "Accounting Standard for Business Enterprises No. 20-Business Combinations and be entirely accounted as trading profits or losses.

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

Where the Group loses control over the investee due to disposal of part of equity investment, during preparing separate financial statement, remaining interest after disposal which can make joint control or significant influence over the investee is accounted for using the equity method, and adjusted as if it is accounted for using the equity method since the acquisition date. If remaining interest after disposal cannot make joint control or significant influence over the investee, it is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing control and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period. If remaining interest after disposal is accounted for using the equity method, other comprehensive income and other owners' equity are transferred on a pro rata basis. If remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, other comprehensive income and other owners' equity are transferred in their entirety.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**14. Long-term equity investments (Continued)****14.4 Disposal of long-term equity investments (Continued)**

Where the Group loses joint control or significant influence over the investee due to disposal of part of equity investment, remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing joint control or significant influence and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities when stop using the equity method, and owners' equity recognized due to changes in other owners' equity (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period in its entirety when stop using the equity method.

The Group loses control over the subsidiaries through step-by-step transactions of disposal of its equity investment in the subsidiaries. Where such transactions are a "package deal", they are accounted for as a transaction of disposal of subsidiary to lose control. The difference between the proceeds from each disposal before losing control and carrying amount of long-term equity investment corresponding to the disposed investment is firstly recognized as other comprehensive income and then transferred to profit or loss for the period in which the control is lost.

15. Investment properties

Investment property is property held to earn rents or for capital appreciation or both. It includes car parking spaces that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization rate of the investment properties are as follows:

	Estimated useful life (year)	Estimated residual value rate (%)	Annual amortization rate (%)
Car parking spaces	30	–	3.33
Buildings	20	5.00	4.75

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Fixed assets

16.1 Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rents to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

16.2 Depreciation methods

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Type	Depreciation method	Depreciation life (year)	Estimated residual value rate (%)	Annual
Buildings	Straight-line	20–30	5.00	3.17–4.75
Traffic equipment	Straight-line	5–11	0.00–10.00	8.18–20.00
Mechanical equipment	Straight-line	5–20	4.00–5.00	4.75–19.20
Motor vehicles	Straight-line	5–6	5.00	15.83–19.00
Office and other equipment	Straight-line	3–5	0.00–5.00	19.00–33.33

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

16.3 Other particulars

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**17. Construction in progress**

Construction in progress is measured at its actual construction expenditures, including various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than three months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets

Intangible assets include franchise rights (toll road and kitchen waste disposal project), billboard use right, patent, land use right, contract rights and office software.

An intangible asset is measured initially at cost. Subsequent expenditures incurred for the intangible asset are included in the cost of the intangible asset when it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

If the fees charged by the Group to those who receive public products and services during the period of operation of PPP project such as kitchen waste disposal and toll road do not constitute an unconditional right to receive cash, the consideration amount of the relevant PPP project assets or the amount of construction income recognized shall be recognized as concession intangible assets when the PPP project assets are ready for intended use.

The franchise rights of the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau (“SASAB”) in accordance with Guo Zi Ping (1996) No. 911. The land use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by the SASAB on 30 June 1996. The land use right relating to Meiguan Expressway and Shenzhen Airport-Heao Eastern Company Expressway (Eastern Section) owned by Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”) and Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited (Airport-Heao Eastern Company), the subsidiary, were invested by Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan Company”), one of the promoters of the Company, at the value specified in the respective investment agreement.

(1) Franchise rights

(a) Toll road

Franchise rights associated with the toll roads refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and the land use right obtained in conjunction with the concession arrangement.

When toll roads are ready for their intended use, amortization of franchise rights is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage (“unit usage”), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or carrying amount of the franchise rights, combined with the actual traffic volume during each accounting period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

(1) Franchise rights (Continued)

(a) Toll road (Continued)

The Group has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective franchise rights would be fully amortized in the operation period.

The respective operating periods and unit amortization amounts of the toll roads are set out as follows:

Item	Operating period	Unit amortization amount (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway (Note 1)	July 2009 to July 2034	39.28
Shuiguan Expressway	March 2002 to February 2027	5.66
Yichang Expressway	January 2004 to December 2033	10.88
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	2.39
Coastal Expressway	December 2013 to December 2038	6.09
Outer Ring Phase I (Note 2)	December 2020 to December 2045	7.02
Outer Ring Phase II (Note 2)	December 2020 to December 2045	1.36
Longda Expressway	October 2005 to October 2027	0.25

Note 1: As stated in Note III, 32.2, the Group adjusted the unit amortization amount of Qinglian Expressway from RMB30.01 to RMB39.28 from 1 October 2022.

Note 2: Tolling years of Outer Ring Expressway have not yet been approved.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

(1) Franchise rights (Continued)

(b) Kitchen waste disposal project

Franchise rights related to kitchen waste disposal are amortized on a straight-line basis during the period of franchise operation.

(2) Other intangible assets

The amortization method, useful life and estimated net residual value rate of other intangible assets are as follows:

	Amortization method	Useful life (year)	Estimated net residual value rate (%)
Billboard use right	Straight-line	5	–
Patent use right	Straight-line	5–10	–
Land use rights	Straight-line	50	–
Contract rights	Straight-line	10	–
Software and others	Straight-line	2–10	–

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and adjusts when necessary.

For details of the impairment test of intangible assets, refer to Note III 20 “Impairment of long-term assets”.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

(3) Internal research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale,
- (2) The Group has the intention to complete the intangible asset and use or sell it,
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset,
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. Costs of intangible assets generated from internal development activities only include total expenditures incurred from the point of time that qualify for capitalization till the intangible asset is ready for intended use. Expenditures which have been recognized as expenses into profit or loss before the same intangible asset that qualify for capitalization during the development course will not be adjusted any longer.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term assets

The Group reviews the long-term equity investments, investment properties using cost method, fixed assets, construction in progress and intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with uncertain useful life or not yet ready for use is tested for impairment every year whether there is any indication the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it will not be reversed in any subsequent period.

21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current year and subsequent periods (together of more than one year). Long-term prepaid expenses are averagely amortized over the expected benefit period.

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received or is expected to receive a consideration from the customer. Contract assets and contract liabilities under the same contract are listed on a net basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits

23.1 Accounting treatment of short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

23.2 Accounting treatment of post-employment benefits

Post-employment benefits are all defined contribution plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

23.3 Accounting treatment of termination welfare

The Group provides termination welfare to employees, employee benefits liabilities generated from termination welfare are recognized at the earlier of the following two dates, and recognized in profit or loss of current period: When the Group cannot withdraw provided termination welfare because of severing labor relationship or reduction of suggested amount; When the Group recognizes costs or expenses related to termination welfare payment.

23.4 Accounting treatment of other long-term employee benefits

As to other welfare for the long-term employee, the group would apply to the related rules of deposit-benefit plan if they fulfill the requirement, besides, the net liability or asset would be confirmed. At the end of the report period, the compensation of other long-term employees should be confirmed in costs. And the net carrying amount of the total of their net liability, assets or the variation due to recalculation would be counted in current gains/losses or other assets costs. Other long-term employee benefits that meet the above criteria of defined contribution plan are accounted for in accordance with requirements relating to defined contribution plan as described above.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as products quality assurance, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

25. Preferred stock, perpetual bonds and other financial instruments

Other financial instruments including preferred stocks and perpetual bonds issued by the Group are measured as equity instruments when they satisfy all the following criteria:

- (1) The financial instruments do not include cash or other financial assets delivered to other parties, or contractual obligations to exchange financial assets or liabilities with other parties under potential disadvantages;
- (2) When the Company's own equity instrument is required to or available to be used for settlement of the financial instrument, it does not include the contractual obligations to settle the Company's own variable equity instruments if it is a non-derivative instrument; if it is a derivative instrument, the Group can only settle the instrument by exchanging certain amount of its own equity instruments with fixed amount of cash or other financial assets.

Except for other financial instruments that can be classified as equity instruments described above, other financial instruments issued by the Group are classified as financial liabilities.

For other financial instruments including preferred stocks and perpetual bonds classified as financial liabilities, interest expense or dividends distributions are treated as borrowing costs, and the gains or losses arising from the re-purchase or redemption are recognized in profit or loss for the period. When the financial liability is measured at amortized cost, related transaction costs are included in initial measurement.

For other financial instruments including preferred stocks and perpetual bonds classified as equity instruments, interest expense or dividends distribution is recorded as the profit distribution of the Group; the repurchase, cancellation etc. are accounted for as changes in equity, and related transaction costs are deducted from the equity.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue

26.1 Accounting policies used for revenue recognition and measurement

The Group's revenue is mainly derived from toll road, environmental protection and property development.

The Group recognizes revenue based on the transaction price allocated to such performance obligation when a performance obligation is satisfied, i.e., when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation represents the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control work in progress during the Group's performance; (iii) goods generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

The Group adopts input method, i.e., the input by the Group for purpose of fulfilment of performance obligation to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in single performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. The stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

If the contract includes variable consideration, the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration which should be recognized in transaction price.

If the customer pays non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the Group cannot reasonably estimate the fair value of the non-cash consideration, it should determine the transaction price indirectly by reference to the stand-alone selling price of the goods or services promised to transfer to the customer.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (Continued)

26.1 Accounting policies used for revenue recognition and measurement (Continued)

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to charge due to the transfer of goods or services to the customer, and recognizes liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned goods.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies.

If the contract includes significant financing component, the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortized within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the advances from customers are non-refundable and the customer may give up all or part of contract right, and the Company is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (Continued)

26.1 Accounting policies used for revenue recognition and measurement (Continued)

The specific revenue recognition criteria of the Group are as follows:

- (1) The Group's revenue from operation of toll roads is recognized when the related services have been provided and economic benefits associated with the services are likely to flow into the Group.
- (2) The Group's revenue from sales of wind turbine equipment, kitchen waste disposal equipment and other commodities are recognized when the client obtains the control over the goods.
- (3) For engineering construction services provided, the Group determines the performance progress and recognizes revenue according to the proportion of the cost incurred to the estimated total cost.
- (4) The Group's revenue from property sales is recognized when (1) the property is completed and accepted as qualified, (2) the property meets the delivery conditions as agreed in the sales contract, and (3) the client obtains the control over relevant goods or services.
- (5) The Group's revenue from entrusted highway operation and management and maintenance services is recognized on a straight-line basis over the contract period.
- (6) The Group has signed cooperation agreements with government departments to participate in the construction of toll roads and kitchen waste disposal projects. During the construction period, the construction service provided by the Group shall be regarded as the performance obligations performed within a certain period and the construction revenue shall be recognized by the completion percentage methods in accordance with the proportion of the incurred costs to estimated total costs. During the commercial operation period, the revenue from kitchen waste disposal shall be recognized according to the actual amount of waste disposal and the unit price agreed in the waste disposal agreement. Revenue from sales of electric power shall be recognized according to the on-grid electric quantity and the unit price agreed in the electricity purchase and sale contract when the electric power has been produced and connected to the grid. Revenue from sales of grease shall be recognized according to the actual grease sales volume and the unit price agreed in the agreement when the client obtains the control over relevant goods.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Contract cost

27.1 Costs of obtaining contracts

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognizes it as an asset and adopts goods or service income related to the assets to confirm the same basis for amortization and recognizes it in profit or loss. Other expenses incurred by the Group for obtaining the contract are recognized in profit or loss for the period in which it occurs, except as expressly borne by the customer.

27.2 Costs to fulfill contracts

If the costs incurred in fulfilling a contract are not within the scope of other standards other than standards on revenue, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The assets recognized shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

27.3 Impairment loss of assets related to contract costs

In determining the impairment losses of assets related to contract costs, the Group first determines the impairment losses of other assets related to contracts recognized in accordance with other ASBEs; then, for assets related to contract costs, if the carrying amount of the assets is higher than the difference between: (1) the remaining consideration that the Group expects to obtain for the transfer of the goods or services related to the asset; and (2) the estimated costs to be incurred for the transfer of the related goods or services, any excess is provided for impairment and recognized as impairment loss of assets.

After the provision for impairment of assets related to contract costs is made, if the factors of impairment in previous periods change so that the difference between the above two is higher than the carrying amount of the asset, the original provision for impairment of the asset is reversed and recognized in profit or loss for the period, provided that the carrying amount of the asset after the reversal does not exceed the carrying amount of the asset at the date of reversal assuming no provision for impairment was made.

28. Categories of government grants and accounting treatment methods

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Categories of government grants and accounting treatment methods (Continued)

28.1 Accounting treatment and determining basis of government grant related to assets

Government grants of the group included equipment subsidy. These payments are government grant of related assets.

A government grant related to an asset is recognized as deferred revenue and will be included in profit or loss according to the progress of depreciation and amortization of such asset by stages over the useful life of the related asset.

28.2 Accounting treatment and determining basis of government grant related to income

Government grants of the Group includes tax refunds and government incentive funds and these are government grant related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as Deferred revenue, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income.

For repayment of a government grant already recognized, if there is related deferred revenue, the repayment is offset against the gross carrying amount of the deferred revenue, and any excess is recognized in profit or loss for the period.

29. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

29.1 Current income tax

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

29.2 Deferred tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/deferred tax liabilities (Continued)

29.2 Deferred tax assets and deferred tax liabilities (Continued)

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

For deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized, or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized in other comprehensive income or in shareholders' equity, and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29.3 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred tax assets/deferred tax liabilities (Continued)

29.3 Offsetting of income tax (Continued)

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

30. Leases

A lease is a contract in which the lessor, for a certain period of time, gives the lessee the right to use the assets to obtain a consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contracts change, the Group does not reassess whether the contracts are leases or include leases.

30.1 The Group as a lessee

30.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Group splits each individual lease and non-lease component to distribute the consideration of the contract in proportion to the sum of the individual price of each lease component and the separate price of the non-lease component.

30.1.2 Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes the right-of-use assets of the leases on the commencement date of the lease term. The Group's right-of-use assets consist mainly of buildings, motor vehicles, billboard, etc. The Group's right-of-use asset classes mainly include buildings, motor vehicles, billboard, etc.

The beginning date of the lease period is the date from which the tenant provides the leased assets to make them available for use by the Group. Right-of-use assets are initially measured at cost. The cost includes:

- The initial measured amount of Lease obligation;
- The amount of lease payments paid on or before the start date of the lease term, less the amount of the lease incentives that have been enjoyed, if there is a lease incentive;
- The initial direct expenses incurred by the Group;
- The Group's activities to remove and remove leased assets, the cost that is expected to occur to reinstate the leased asset at its site or to restore the leased asset to the agreed state of the lease term, excluding costs incurred to produce the inventory.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.1 The Group as a lessee (Continued)

30.1.2 Right-of-use assets (Continued)

The Group has referred to ASBE 4 Fixed assets Depreciation regulation, Depreciation is applied to the right-of-use assets. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

The Group applies ASBE 8 Impairment of Assets, to determine whether the right-of-use assets are impaired and to account for any impairment loss identified.

30.1.3 Lease liabilities

Except for short-term leases and leases of low value assets, the Group initially measures Lease obligation at the beginning of the lease term at the present value of the outstanding lease payments at that date. In calculating the present value of the lease payments, the Group uses the interest rate included in the lease as the discount rate and, if it is not possible to determine the interest rate included in the lease, uses the incremental borrowing rate as the discount rate.

Lease payments represent payments made by the Group to lessor in connection with the right to use the leased assets during the lease term, including:

- The fixed amount of payment and the real fixed amount of payment, less the relevant amount of the lease incentive, if there is a lease incentive;
- The amount of variable lease payments depending on an index or ratio;
- The exercise price of the purchase option to be exercised is reasonably determined by the Group;
- The lease term reflects the amount to be paid for the exercise of the termination option if the Group will exercise the termination option;
- The amount expected to be paid under the residual value of the guarantee provided by the Group.

After the beginning of the lease period, the Group calculates the interest expense of Lease obligation for each period of the lease period at a fixed recurring rate and includes the profit or loss or the cost of the underlying assets in the current period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.1 The Group as a lessee (Continued)

30.1.3 Lease liabilities (Continued)

After the beginning of the lease period, the Group recalculates Lease obligation and adjusts the corresponding right-of-use assets, and if the carrying amount of the right-of-use assets has been reduced to zero, but Lease obligation still needs to be further adjusted, the Group includes the difference in profit or loss for the current period:

- The Group's present value, calculated on the basis of the after-change lease payments and the revised discount rate, is recalculated by Lease obligation as a result of changes in the lease period or changes in the valuation of the purchase option;
- Based on a change in the expected amount payable on the guarantee balance or the index or ratio used to determine the lease payment amount, the Group's present value, calculated on the basis of the changed lease payment amount and the original discount rate, is recalculated at Lease obligation. If the changes in lease payments result from changes in floating interest rates, the present value is calculated using the revised discount rate.

30.1.4 Short-term leases and leases of low value assets

For short-term leases and leases of low value assets of transport vehicles, mechanical equipment/others (please indicate the specific type of leased assets), the Group chose not to recognize the right-of-use assets and Lease obligation. Short-term leases are leases that, on the beginning of the lease period, have a lease term not exceeding 12 months and do not include the option to buy. A lease of a low-value asset is a lease that the single underlying asset, when is new, is no more than RMB50,000.00. The Group includes the lease payments for short-term leases and lease of low-value assets on a straight-line basis in current profit or loss or the cost of the underlying assets for each period of the lease term.

30.1.5 Lease changes

If a lease changes and the following conditions are met, the Group will treat the lease change as a separate lease:

- The lease change expands the scope of the lease by adding the right to use one or more of the leased assets;
- The increased consideration was equivalent to the individual price of the extended portion of the lease, adjusted for the circumstances of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of lease change, the Group revalued the consideration of the changed contract, redefined the lease term, and recalculated the Lease obligation at its present value, calculated on the basis of the modified lease payment amount and the revised discount rate.

If the lease change results in a reduction in the scope of the lease or a reduction in the lease term, the Group reduces the carrying amount of the right-of-use assets accordingly, and includes in the current profit or loss the associated gains or losses from partial or total termination of the lease. If other lease changes result in Lease obligation being re-measured, the Group adjusts the carrying amount of the right-of-use assets accordingly.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as a lessor

30.2.1 Separating components of a lease

For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract in accordance with the regulations related to allocation of transaction price of Revenue Standards on the basis of the relative stand-alone price of the lease components and the non-lease components.

30.2.2 Classification of leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

30.2.2.1 The Group as a lessor under operating leases

The Group recognizes lease payments from operating leases as rents income on a straight-line basis. The Group capitalizes initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Variable lease receipts acquired by the Group in connection with operating leases that are not included in the lease receipts are recognized in current profit or loss when they are actually incurred.

30.2.2.2 The Group as a lessor under finance leases

At the commencement date, the Group recognizes a finance lease receivable at the amount equal to the net investment in the lease with finance lease assets derecognized. The net investment in the lease is the sum of any unguaranteed residual value and lease payments receivable from the commencement date, discounted at the interest rate implicit in the lease.

The amount of the lease payments receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- Fixed payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or a rate;
- Exercise price of the purchase option, if it is reasonably determined that the lessee will exercise the option;
- Payments for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease;
- Residual value of guarantee provided to the Group by the lessee, a party related to the lessee and an independent third party with the financial ability to fulfill the guarantee obligations.

Variable payments receivable not included in the net investment in the lease are recognized in profit or loss when they arise.

Interest income for each period over the lease term is recognized by the Group at the fixed periodic rate.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as a lessor (Continued)

30.2.3 Subleases

As a lessor of the sublease, the Group accounts for the original lease contract and the sublease contract as two separate contracts. The Group classifies the subleases based on the right-of-use assets generating from the original lease rather than the underlying assets of the original lease.

30.2.4 Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any lease advances or receivables relating to the original lease as the lease receipts for the new lease.

The Group will account for the lease change as an individual lease, when they satisfy all the following criteria:

- The lease change expanded the scope of the lease by adding the right-of-use of one or more lease assets;
- The increased consideration is equivalent to the amount of individual price of the expanded lease scope adjusted according to the contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group should account for the modification as follows:

- If the lease would have been classified as an operating lease had the modification been effective at the inception date, the Group should account for the lease modification as a new lease from the effective date of the modification, and measure the carrying amount of the underlying asset as the net investment in the lease before the effective date of the lease modification.
- If the lease would have been classified as an operating lease if the modification had been in effect at the inception date, the Group should apply the requirements of contract modification and renegotiation under the ASBE 22 Financial Instruments: Recognition and Measurement.

30.2.5 Sale and leaseback transactions

30.2.5.1 The Group as the seller and lessee

The Group applies the requirements of ASBE 14 Revenue to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset does not constitute a sale, the Group should continue to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds applying ASBE 22 Financial Instruments: Recognition and Measurement. If the transfer of an asset is a sale, the Group should measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use, and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as a lessor (Continued)

30.2.5 Sale and leaseback transactions (Continued)

30.2.5.2 The Group as the buyer and lessor

If the transfer of an asset in a sale and leaseback transaction is not a sale, the Group does not recognize the transferred asset, but recognizes the transferred assets and should recognize a financial liability equal to the transfer proceeds applying ASBE 22 Financial Instruments: Recognition and Measurement. If the transfer of an asset is a sale, the Group accounts for the purchase of the asset in accordance with other applicable ASBEs and accounts for the lease of the asset.

31. Other significant accounting policies and accounting estimates

Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) the component's operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) the information on the financial position, operating results and cash flows of the segment is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

32. Changes in significant accounting policies and accounting estimates

32.1 Changes in significant accounting policies

32.1.1 Interpretation No. 15 of the Accounting Standards for Business Enterprises

The *Interpretation No. 15 of the Accounting Standards for Business Enterprises (the "Interpretation No. 15")* was issued by the Ministry of Finance on 30 December 2021, which stipulated the accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development, as well as the judgment on onerous contract.

Accounting treatment of external sale of products or by-products produced by an enterprise before the fixed assets are ready for intended use or in the process of research and development in accordance with the Interpretation No. 15, if an enterprise sells products or by-products produced before the fixed assets are ready for intended use or in the process of research and development, it shall, in accordance with the provisions of *Revenue Standard and Accounting Standards for Business Enterprises No. 1 – Inventory*, respectively conduct accounting treatment of income and costs related to the trial sale, and include them in profit or loss for the period, but the balance of the related income from trial sale less cost shall not be used to offset against the cost of fixed assets or research and development expenses. Concurrently, an enterprise shall separately disclose in the notes the information including the amount of related income from and cost of trial sale, the specific presenting items, and the significant accounting estimates applied in determining the cost of trial sale. The Interpretation became effective on 1 January 2022, and retroactive adjustments should be made for trial sale that occurred between the beginning of the earliest presentation period of the financial statements and 1 January 2022.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.1 Changes in significant accounting policies (Continued)

32.1.1 Interpretation No. 15 of the Accounting Standards for Business Enterprises (Continued)

The Group has conducted accounting treatment retrospectively and restated the financial statements for comparable years, and the amounts affected are as follows:

RMB

Items affected	31/12/2021	Adjustment	31/12/2021
Intangible assets	27,098,178,554.90	(7,124,649.49)	27,091,053,905.41
Undistributed profits	7,162,326,451.00	(4,783,489.67)	7,157,542,961.33
Minority interests	5,974,325,104.87	(2,341,159.82)	5,971,983,945.05

RMB

Items affected	2021	Adjustment	2021
Operating income	10,871,924,008.52	17,656,609.36	10,889,580,617.88
Cost of services	7,080,445,848.59	24,781,258.85	7,105,227,107.44

Judgment on onerous contracts

The *Interpretation No. 15* clarifies that the “cost to perform the contract” considered by an enterprise in determining whether a contract is an onerous contract shall include the incremental cost to perform the contract and the apportioned amount of other costs directly related to the performance of the contract. The Interpretation became effective on 1 January 2022, and an enterprise shall implement this Interpretation on contracts to which the obligations have not been completely fulfilled by 1 January 2022. The accumulative effect is adjusted for the opening balance of retained earnings for the year when the Interpretation is implemented and other related items to the financial statements, but not adjusted for the comparative data of prior periods.

Upon assessment, the Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.1 Changes in significant accounting policies (Continued)

32.1.2 Interpretation No. 16 of the Accounting Standards for Business Enterprises

The *Interpretation No. 16 of the Accounting Standards for Business Enterprises* (the “*Interpretation No. 16*”) was issued by the Ministry of Finance on 30 November 2022, which stipulated the accounting treatment concerning 1) the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer, and 2) the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise.

Accounting treatment concerning the income tax effect of dividends on a financial instrument classified as an equity instrument by the issuer

In accordance with the *Interpretation No. 16*, for a financial instrument classified as an equity instrument by an enterprise in accordance with the *Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments* and other applicable provisions, if the relevant dividend payments are deductible before enterprise income tax in accordance with the relevant tax provisions, the enterprise, on recognition of dividends payable, shall include the tax effect of dividends in profit or loss or owners’ equity using the same accounting treatment for previous transactions or events that generated distributable profits. The Interpretation became effective on 30 November 2022. Where the recognition of dividends payable by a financial instrument classified as an equity instrument occurs during the period from 1 January 2022 to the effective date of this Interpretation, the enterprise shall adjust the tax effect if such effect exists but is not treated according to the provisions hereinabove. Where the said recognition occurs before 1 January 2022 but the relevant financial instrument has not been derecognized as at 1 January 2022, the enterprise shall adjust the tax effect retrospectively if such effect exists but is not treated according to the provisions hereinabove.

The Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

Accounting treatment concerning the change of cash-settled share-based payment to equity-settled share-based payment by an enterprise

In accordance with the *Interpretation No. 16*, where an enterprise changes the terms and conditions of a cash-settled share-based payment agreement to those of an equity-settled share-based payment agreement, the enterprise shall, on the date of change, measure the equity-settled share-based payment at the fair value of the granted equity instrument on the current day, include the services received in capital reserve, and at the same time, derecognize the liability that has been recognized for cash-settled share-based payment on the date of change, with the resulted difference included in profit or loss for the period. The Interpretation became effective on 30 November 2022. For the aforesaid transactions that are added during the period from 1 January 2022 to the effective date of this Interpretation, the enterprise shall make adjustments in accordance with the provisions of this Interpretation. If any transaction occurred before 1 January 2022 is not treated in accordance with the aforesaid provisions, the enterprise shall adjust the retained earnings as of 1 January 2022 and other related items to the financial statements based on the accumulative effect, without adjusting the information of the comparable period.

The Group considers that the adoption of this Interpretation has no significant impact on the financial statements of the Group.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.2 Changes in significant accounting estimates

Content and reason of changes in accounting estimates	Approval procedures	Time point at which the application begins	Remarks
Change in accounting estimate of unit amortization amount of franchise rights – Qinglian Expressway	Approved by the Board of Directors on 24 March 2023	1 October 2022	–

Change in accounting estimate of unit amortization amount of Qinglian Expressway:

In view of that the actual traffic volume of Qinglian Expressway in recent years differs greatly from the total projected traffic volume and may persist for some time, the Group re-predicts the total projected traffic volume of Qinglian Expressway in the remaining operation period. The Group adjusted the unit amortization amount of Qinglian Expressway from RMB30.01/vehicle to RMB39.28/vehicle based on the updated total projected traffic volume. This change in accounting estimates is effective from 1 October 2022, and the impact of which on the Group's consolidated financial statements for the current year is as follows:

RMB

Items in the consolidated statements of financial position	Amount
Decrease in intangible assets	16,360,341.19
Increase in deferred tax assets	4,090,085.30
Decrease in equity attributable to shareholders of the parent company	9,370,794.42
Decrease in minority interests	2,899,461.47

Items in the consolidated statements of profit or loss and other comprehensive income	Amount
Increase in cost of services	16,360,341.19
Decrease in income tax expenses	4,090,085.30
Decrease in net profit	12,270,255.89
Decrease in net profit attributable to shareholders of the parent company	9,370,794.42
Decrease in profit or loss attributable to minority interests	2,899,461.47

The change in above accounting estimate will have a certain impact on amortization of the franchise rights of Qinglian Expressway in the future accounting period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of accounting policies as set out in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates. The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

33.1 Critical judgements in applying accounting policies

(1) *Business model*

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale reasons, time, frequency and value of financial assets before the maturity date.

(2) *Principal/agent*

If the Group can control the project before transferring the agent project to the customer, it is the principal and recognizes the revenue based on the total consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue based on the amount of commission or handling charges that the Group is expected to be entitled to collect. This amount is determined based on the total consideration received or receivable net of amounts due to other related parties, or predefined amount or proportion of commission.

(3) *Lease period – Lease contract with a renewal option*

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for 1 to 3 years. In assessing whether the option to renew the lease will be exercised, it will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal of the Group, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates (continued)

33.2 Key assumptions and uncertainties in accounting estimates

The followings are the critical judgments that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the financial statements:

(1) *Amortization of franchise rights associated with toll roads*

As stated in Note III. 19 (1) (a), amortization of franchise rights associated with toll roads is provided under the traffic volume method. Appropriate adjustments to the amortization of franchise rights associated with toll roads will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume.

(2) *Impairment of goodwill*

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(3) *Impairment of long-term equity investments*

The Group assesses at the end of the reporting period whether there is any objective evidence that a long-term equity investment is impaired. An impairment test should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the long-term equity investments exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the long-term equity investments and select the appropriate discount rate to determine the present value of future cash flows.

(4) *Impairment of franchise rights*

When considering the impairment of the franchise rights, the management of the Company calculates the present value of future cash flows to determine the recoverable amount. The assumptions of calculating the franchise rights associated with kitchen waste disposal project include the per unit waste disposal fee, production/processing capacity, operation duration, cost of services, and necessary return rate.

Under the previous assumptions, the Group's management considered that a franchise right had a recoverable amount higher than the carrying amount, and therefore provision for the impairment of a franchise right was not necessary during the current year. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

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IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate	
Value added tax ("VAT")	Income from sale of goods and rendering of services (Note 1)	13%	
	Income from real estate development	9%	
	Taxable advertisement income	6%	
	Income from entrusted management service and other businesses	6%	
	Income from expressway toll road business	3% (Simple Method)	
	Income from leases of tangible movable property	13%	
	Income from sale and lease back business of tangible movable property	6%	
	Construction income	9%	
	Electricity sales income	13%	
	Waste disposal operating income (Note 1)	6%	
	Property operating lease income	5% (Simple Method)	
	City maintenance and construction tax	Amount of commodity turnover tax payable	7%, 5%
Educational surcharge	Amount of commodity turnover tax payable	3%	
Local educational surcharge	Amount of commodity turnover tax payable	2%	
Construction fee for culture undertakings	Amount of advertising turnover	3%	
Enterprise income tax ("EIT")	Taxable income	Except the companies in the following chart, 25%	
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30%-60%	

IV. TAXATION (CONTINUED)

1. Main categories and rates of taxes: (continued)

The entities with different EIT rates are disclosed as follows:

Name of the entity	Income tax rate
China Logistics Finance Services Co., Ltd. ("Logistics Finance Company") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Bioland Environmental Technologies Group (Hong Kong) Co., Ltd. ("Hong Kong Bioland") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Wilberforce International Ltd. ("Wilberforce") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Jiehao (British Virgin Islands) Co., Ltd. ("Jiehao") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Management Company Limited ("Bay Area Management") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Service Company Limited ("Bay Area Service") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Shenzhen Investment Holdings Bay Area Financing Company Limited ("Bay Area Financing") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Hopewell Guangzhu Expressway Development Co., Ltd. ("Hopewell Guangzhu Expressway") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Guanjia (British Virgin Islands) Co., Ltd. ("Guanjia") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%
Hopewell China Development (Superhighway) Limited ("Hopewell China Development") (Note 2)	For amount not exceeding HKD2 million: 8.25%; for amount exceeding HKD2 million: 16.5%

Note 1: According to the provisions of the Announcement of the State Taxation Administration on Clarifying Several Issues Concerning the Administration of Collection of Value-Added Tax on the Dealing of Used Vehicles and Other Items (Announcement 2020 No. 9 of the State Administration of Taxation), where no goods are generated after the professional disposal by means of landfill or incineration, among others, it shall be deemed that the entrusted party provides the "professional technical services" in the "Modern Services", and the VAT rate of 6% shall apply to the disposal expenses it collects.; where goods are generated after the professional disposal and the goods belongs to the entrusting party, it shall be deemed that the entrusted party provides the "processing services", and the VAT rate of 13% shall apply to the disposal expenses it collects; where goods are generated after the professional disposal and the goods belongs to the entrusted party, it shall be deemed that the entrusted party provides the "professional technical services", and the VAT rate of 6% shall apply to the disposal expenses it collects; where the entrusted party sells the goods, it is subject to the VAT rate for goods.

Note 2: Logistics Finance Company, Hong Kong Bioland, Bay Area Development and some of their subsidiaries are incorporated in Hong Kong and are subject to income tax rate of 16.5%.

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IV. TAXATION (CONTINUED)

2. Tax preference

(a) Preferential policies on 50% VAT refund on collection

According to the provisions of the Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Wind Power Generation (Cai Shui [2015] No. 74), since 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy. Subsidiaries of Baotou Nanfeng Wind Power Technology Co., Ltd. (“Baotou Nanfeng”), including Baotou Lingxiang New Energy Co. Ltd. (“Baotou Lingxiang”), Damaoqi Nanchuan Wind Power Co., Ltd., Damaoqi Ningyuan Wind Power Co., Ltd., Damaoqi Ningxiang Wind Power Co., Ltd. and Damaoqi Ningfeng Wind Power Co., Ltd. (collectively referred to as “wind power enterprises under Baotou Nanfeng”), Mulei Qianxin Energy Development Co., Ltd. (“Qianxin Company”), Mulei Qianzhi Energy Development Co., Ltd. (“Qianzhi Company”), Mulei Qianhui Energy Development Co., Ltd. (“Qianhui Company”), Ningxia Zhongwei Xintang New Energy Co., Ltd. (“Ningxia Zhongwei”) and Yongcheng Zhuneng New Energy Technology Co., Ltd. (“Yongcheng Zhuneng”) are wind power enterprises and enjoy the above tax preferences.

(b) Preferential policies on VAT refund for the part of actual tax burden of VAT in excess of 3%

According to the provisions of the Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner (Cai Shui [2016] No. 36), general taxpayers who provide pipeline transportation service, tangible movable property financing lease service and tangible movable property sale-leaseback financing service will enjoy a VAT refund for the part of actual tax burden of value added tax in excess of 3%. Shenzhen Expressway Financial Leasing Co., Ltd. (“Financial Leasing Company”) provides tangible movable property sale-leaseback financing service and thus enjoys the above tax preferences.

(c) Preferential policies on three years exemptions and three years half reduction of enterprise income tax

According to the provisions of the Enterprise Income Tax Law of the People’s Republic of China, for income of enterprises engaged in the investment and operation of public infrastructure projects supported by the state, from the tax year in which the project obtains the first production and operation income, the enterprise income tax will be exempted from the first to the third year, and the enterprise income tax will be levied by half from the fourth to sixth year. Projects of Wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Yongcheng Zhuneng and Outer Ring Expressway (Phase I) satisfy the tax preferences policies for public infrastructure projects supported by the state. Wind power enterprises under Baotou Nanfeng started grid-connected power generation since 2018 and obtained income from production and operation for the first time, the enterprise income tax will be exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Qianzhi Company, Qianhui Company, Ningxia Zhongwei and Yongcheng Zhuneng started grid-connected power generation since 2020 and obtained income from production and operation for the first time, the enterprise income tax will be exempted from 2020 to 2022 and levied by half from 2023 to 2025.

IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(c) Preferential policies on three years exemptions and three years half reduction of enterprise income tax (Continued)

Outer Ring Expressway (Phase I) started operation since 29 December 2020 and obtained income from operation for the first time, the enterprise income tax will be exempted from 2020 to 2022 and levied by half from 2023 to 2025.

According to the provisions of Article 88 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the production and business income of the project is obtained for the first time, be exempted from enterprise income tax for the first year to the third year, and halved from the fourth year to the sixth year. Longyou Bioland Environmental Technology Co., Ltd. ("Longyou Bioland") and Taizhou Bioland Environmental Technology Co., Ltd. ("Taizhou Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2018 to 2020 and levied by half from 2021 to 2023.

Huangshi Huantou Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") engages in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2019 to 2021 and levied by half from 2022 to 2024.

Handan Bioland Renewable Resources Co., Ltd. ("Handan Bioland"), Zhuji Bioland Renewable Resources Co., Ltd. ("Zhuji Bioland"), Shangrao Bioland Environmental Protection Technology Co., Ltd. ("Shangrao Bioland"), Xinyu Bioland Renewable Resources Co., Ltd. ("Xinyu Bioland"), Fuzhou Bioland Environmental Protection Technology Co., Ltd. ("Fuzhou Bioland") and Sichuan Lansheng Environmental Protection Technology Co., Ltd. ("Sichuan Lansheng") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2021 to 2023 and levied by half from 2024 to 2026.

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IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(c) Preferential policies on three years exemptions and three years half reduction of enterprise income tax (Continued)

Guilin Bioland Renewable Energy Co., Ltd. (“Guilin Bioland”) engages in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempted from 2022 to 2024 and levied by half from 2025 to 2027.

(d) Preferential policies on reduction and exemption of enterprise income tax for ethnic minority regions

According to the provisions of the Notice of Joint Implementation of Preferential Enterprise Income Tax Policies for Ethnic Minority Autonomous Regions by Guangdong Department of Finance, Guangdong Local Taxation Bureau and Guangdong State Taxation Bureau (Yue Cai fa [2017] No. 11), the enterprises in Lianshan Zhuang and Yao Autonomous Counties, Liannan Yao Autonomous County and other minority areas will be exempted from the local sharing part of enterprise income tax payable (including provincial and municipal and county levels), i.e., enterprise income tax is reduced and exempted by 40%. This policy will be implemented from 1 January 2018 to 31 December 2025. Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd (“Guangdong New Energy”) is registered in Liannan Yao Autonomous County, and enjoys a 40% reduction of enterprise income tax.

(e) Preferential policies on enterprise income tax for the large-scale development of western China

According to the provisions of Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China (Announcement No. 23 (2020) of the Ministry of Finance), the enterprise income tax will be levied at 15% for enterprises in encouraging industries located in Western China from 1 January 2021 to 31 December 2030. Wind power enterprises under Baotou Nanfeng, Qianxin Company, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Guangxi Bioland Environmental Technologies Co., Ltd. (“Guangxi Bioland”) and Guiyang Bioland Environmental Technologies Co., Ltd. (“Guiyang Beier Bioland”) are enterprises in encouraging industries located in the western region and enjoy the tax preference of calculating and paying enterprise income tax at the reduced tax rate of 15%.

(f) Preferential policies on enterprise income tax for high-tech enterprises

Bioland Environmental Technologies Corp., Ltd. (“Bioland Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202041000586) on 9 September 2020 which is valid for three years. According to the Enterprise Income Tax Law of the People’s Republic of China and related regulations, Bioland Company levies enterprise income tax at a tax rate of 15% from 2020 to 2022.

Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. (“Qiantai Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202044205342) on 11 December 2020, which is valid for three years. According to the relevant provisions of the Enterprise Income Tax Law of the People’s Republic of China, Qiantai Company levies enterprise income tax at a tax rate of 15% from 2020 to 2022.

IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(g) Preferential policies on exemption from property tax for three years

According to Article 9 of the Measures for the Implementation of Property Tax in Shenzhen Special Economic Zone (Shen Fu [1987] No. 164), newly-built houses (excluding those built in violation of regulations) which are newly constructed or purchased by taxpayers are exempt from property tax for three years from the next month following the completion or purchases of the newly-built houses. The Company and Outer Ring Company enjoy this preferential policy from 2021 to 2023.

Apart from the above, there is no other tax preference that has a significant impact on the Group.

3. Others

According to the Reply from the State Administration of Taxation Concerning about the Recognition as Resident Enterprises of Related Overseas Enterprises of Shenzhen Expressway Corporation Limited (Guo Shui Han (2010) No. 651) issued by the State Administration of Taxation on 30 December 2010, Mei Wah (Hong Kong) Company (“Mei Wah Company”), Maxprofit Company and Jade Emperor Limited (“JEL Company”) were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

According to the Certificate of Resident Status of Overseas Registered Chinese Holding Enterprises issued by Shenzhen Taxation Bureau of the State Administration of Taxation (Shen Shui Shui Ju Gao [2020] No. 4, Shen Shui Shui Ju Gao [2022] No. 1), Fameluxe Investment Limited and Logistics Finance Company were recognized as a resident enterprise of China and would be subject to the relevant taxation administration. This came into effect for Fameluxe Investment Limited in 2020, and came into effect for Logistics Finance Company in 2022.

Notes to Financial Statements

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

RMB

Item	31 December 2022	31 December 2021 (Restated)
Cash on hand:	9,205,134.25	7,993,396.61
RMB	9,155,309.10	7,947,642.07
HKD	49,607.03	45,544.49
EUR	89.07	86.48
JPY	19.91	21.05
FRF	88.26	81.64
ESP	20.88	20.88
Bank deposits:	3,537,493,482.47	5,850,883,611.82
RMB	3,444,132,683.24	5,624,592,702.05
HKD	85,457,200.07	219,736,292.12
USD	7,903,599.16	6,554,617.65
Others:	88,934,042.00	58,767,479.31
RMB	88,911,126.63	58,731,686.44
HKD	22,915.37	35,792.87
Interest receivable on bank deposits	229,500.00	31,044,399.40
Total	3,635,862,158.72	5,948,688,887.14
Including: Total amount deposited abroad	442,387,618.80	30,673,452.53

As at 31 December 2022, the Group's restricted funds are listed as follows:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Regulated equity acquisition funds	212,356,372.09	210,000,000.00
Special account for project management	21,194,557.46	185,808,630.11
Security deposit	55,633,451.03	52,731,354.54
Frozen funds due to litigation	149,445,610.73	12,145,100.00
Total	438,629,991.31	460,685,084.65

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2. Transactional financial assets**

RMB

Category	31 December 2022	31 December 2021 (Restated)
Financial assets at FVTPL	1,112,243,771.54	564,018,179.30
Including: Structural deposits	901,439,630.14	351,380,821.92
Compensation for valuation adjustment mechanism (Note)	210,804,141.40	212,637,357.38
Total	1,112,243,771.54	564,018,179.30

Note: During the year 2019, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., Ltd. ("Environment Company"), has completed the acquisition of 51% of the equity of Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power"); during the year 2020, Environment Company has completed the acquisition of 67.14% of the equity of Bioland Company; during the year 2020, the Company's subsidiary, Shenzhen Expressway Infrastructure Environment Protection Development Co., Ltd. ("Infrastructure Environment Protection Development Company"), has completed the acquisition of 50% of the equity of Qiantai Company. The above-mentioned equity acquisition agreement includes a number of terms on valuation adjustment mechanism. In 2021, the compensation for valuation adjustment mechanism amounting to RMB212,637,357.38 was recognized by the Company based on the situation of valuation adjustment mechanism. In 2022, Bioland Company failed to achieve the performance as specified in the valuation adjustment mechanism, and the performance promisee has pledged 19530000 shares of Bioland Company held by it to Environment Company as a guarantee of performance compensation. Gains from valuation adjustment mechanism amounting to RMB128,369,905.67 was recognized by the Group based on the above situation and, in the meanwhile, the Group has recovered the gains from valuation adjustment mechanism for 2021 amounting to RMB130,203,121.65.

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

(1) Classification of bills receivable

RMB

Category	31 December 2022	31 December 2021 (Restated)
Bank acceptance bills	3,500,000.00	44,888,115.83
Commercial acceptance bills	–	42,500,000.00
Total	3,500,000.00	87,388,115.83

(2) Bills receivable that had been endorsed or discounted by the Group at the end of the year but were not due as at the balance sheet date

RMB

Item	31 December 2022		31 December 2021 (Restated)	
	Amount derecognized at the end of the year	Amount not derecognized at the end of the year	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bills	–	1,700,000.00	2,500,000.00	23,612,500.00
Commercial acceptance bills	–	–	–	37,000,000.00
Total	–	1,700,000.00	2,500,000.00	60,612,500.00

(3) As at 31 December 2022, the Group had no bills that were converted into accounts receivable due to the failure to perform the contract by drawer.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Accounts receivable disclosed by aging

RMB

Aging	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	574,068,324.23	3,768,442.24	0.66
1 to 2 years	243,591,659.80	7,104,817.67	2.92
2 to 3 years	269,713,590.76	53,362,126.44	19.78
Over 3 years	76,151,150.17	47,026,325.54	61.75
Total	1,163,524,724.96	111,261,711.89	—

(2) Accounts receivable disclosed by bad debt provision method

RMB

Category	31 December 2022					31 December 2021 (Restated)				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Bad debt provision assessed individually										
Provision assessed individually	57,597,180.02	4.95	36,736,521.02	63.78	20,860,659.00	—	—	—	—	—
Credit loss allowance assessed on portfolio basis according to credit risk characteristics										
Portfolio I	133,653,033.13	11.49	—	—	133,653,033.13	82,591,426.20	7.91	—	—	82,591,426.20
Portfolio II	431,354,819.18	37.07	36,502,914.94	8.46	394,851,904.24	503,105,399.19	48.23	28,053,915.71	5.58	475,051,483.48
Portfolio III	117,638,461.08	10.11	36,954,338.59	31.41	80,684,122.49	124,740,281.63	11.96	21,102,124.31	16.92	103,638,157.32
Portfolio IV	423,281,231.55	36.38	1,067,937.34	0.25	422,213,294.21	332,788,016.28	31.90	455,180.83	0.14	332,332,835.45
Total	1,163,524,724.96	100.00	111,261,711.89	—	1,052,263,013.07	1,043,225,123.30	100.00	49,611,220.85	—	993,613,902.45

Accounts receivable for which the bad debt provision is assessed on portfolio basis:

The accounts receivable for which the bad debt provision is assessed by aging analysis method in portfolio II, portfolio III and portfolio IV are as follows:

RMB

Portfolio II	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	40,022,877.94	686,438.02	1.72
1 to 2 years	167,658,706.92	5,499,737.33	3.28
2 to 3 years	191,129,943.34	12,090,395.47	6.33
Over 3 years	32,543,290.98	18,226,344.12	56.01
Total	431,354,819.18	36,502,914.94	—

Notes to Financial Statements

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Accounts receivable disclosed by bad debt provision method (Continued)

Accounts receivable for which the bad debt provision is assessed on portfolio basis: (Continued)

The accounts receivable for which the bad debt provision is assessed by aging analysis method in portfolio II, portfolio III and portfolio IV are as follows: (Continued)

RMB

	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio III			
Within 1 year	64,626,598.89	2,014,066.87	3.12
1 to 2 years	8,410,255.57	1,605,080.34	19.08
2 to 3 years	14,208,448.40	4,535,209.96	31.92
Over 3 years	30,393,158.22	28,799,981.42	94.76
Total	117,638,461.08	36,954,338.59	–

RMB

	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio IV			
Within 1 year	419,779,410.07	1,067,937.34	0.25
1 to 2 years	3,501,821.48	–	–
Total	423,281,231.55	1,067,937.34	–

(3) Bad debt provision

RMB

Category	1 January 2022	Changes for the year			31 December 2022
	(Restated)	Provision	Received or reversed	Written off or charged off	
Accounts receivable for which bad debt provision is assessed individually and on portfolio basis according to credit risk characteristics	49,611,220.85	62,735,330.19	(994,839.15)	(90,000.00)	111,261,711.89

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**4. Accounts receivable (continued)****(3) Bad debt provision (continued)**

Changes in bad debt provision of accounts receivable:

RMB

Bad debt provision	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2022 (Restated)	37,911,969.08	11,699,251.77	49,611,220.85
– Transfer into those credit-impaired	–	–	–
– Reversal of those not credit-impaired	–	–	–
Provision	7,977,265.17	54,758,065.02	62,735,330.19
Reversal	(994,839.15)	–	(994,839.15)
Transfer out due to derecognition of financial assets (including direct write-down)	(90,000.00)	–	(90,000.00)
Other changes	–	–	–
31 December 2022	44,804,395.10	66,457,316.79	111,261,711.89

During the year 2022, the Group has no recovery or reversal of bad debt provision which is individually significant.

(4) During the year 2022, the write-off of accounts receivable is as follows

RMB

Name	Nature	Amount of write-off	Reason for write-off	Write-off procedures performed	Does it arise from a related party transaction
Dongguan Kepler Advertising Co., Ltd	Advertising income	90,000.00	The amount is expected to be unrecoverable	Approval by management	No

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(5) Top five accounts receivable categorized by debtor

RMB

Item	Gross carrying amount	Bad debt provision	Proportion to total accounts receivable (%)
Total of top five accounts receivable as at 31 December 2022	475,240,822.00	77,840,045.66	40.88

5. Prepayments

(1) Prepayments presented by aging

RMB

Aging	31 December 2022		31 December 2021 (Restated)	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	207,607,247.43	92.06	161,130,276.63	84.21
1 to 2 years	17,682,668.05	7.84	26,934,962.21	14.07
2 to 3 years	219,151.77	0.10	1,147,229.85	0.60
Over 3 years	226.00	-	2,138,232.05	1.12
Total	225,509,293.25	100.00	191,350,700.74	100.00

(2) Prepayments presented by nature

RMB

Item	31 December 2022	31 December 2021 (Restated)
Prepayments for materials	178,031,919.20	122,752,638.43
Others	47,477,374.05	68,598,062.31
Total	225,509,293.25	191,350,700.74

As at 31 December 2022, the prepayments aged over 1 year mainly represent the prepayments for materials and prepayments for construction. As the construction projects have not yet been settled or the goods have not yet been delivered by the suppliers, the prepayments remain outstanding.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (continued)

(3) Top five prepayments categorized by payee

RMB

Item	Relationship with the Group	Gross carrying amount	Aging	Proportion to total prepayments (%)
Total of top five prepayments as at 31 December 2022	Non-related party	155,388,380.38	Within 1 year	68.91

6. Other receivables

6.1 Summary of other receivables

RMB

Item	31 December 2022	31 December 2021 (Restated)
Dividends receivable	181,376,782.72	–
Other receivables	940,252,209.69	981,250,269.52
Total	1,121,628,992.41	981,250,269.52

6.2 Dividends receivable

RMB

Investee	31 December 2022	31 December 2021 (Restated)
Dividends receivable aged within 1 year Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. (“Guangzhou-Shenzhen-Zhuhai Expressway”)	181,376,782.72	–
Total	181,376,782.72	–

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For the year ended 31 December 2022
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

6.3 Other receivables

(1) Other receivables disclosed by aging

RMB

Aging	31 December 2022		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	518,762,688.32	4,360,775.60	0.84
1 to 2 years	178,693,252.36	1,333,651.18	0.75
2 to 3 years	102,735,493.19	1,126,228.98	1.10
Over 3 years	147,029,895.71	148,464.13	0.10
Total	947,221,329.58	6,969,119.89	

(2) Classification of other receivables by nature

RMB

Nature	31 December 2022	31 December 2021 (Restated)
Receivables from related parties (Note X. 6(1))	298,897,320.68	377,336,868.47
Advances receivable	235,425,413.45	259,515,026.86
Receivables from third parties	210,315,511.63	190,529,991.18
Deposits and security deposit	74,371,425.14	84,012,110.38
Employee advance loan	3,686,005.04	5,906,125.21
Administrative reserve	2,837,649.98	3,142,726.45
Accounts receivable due to cancellation of toll stations on Yanpai Expressway and Yanba Expressway	–	9,209,048.19
Others	121,688,003.66	54,314,262.44
Total	947,221,329.58	983,966,159.18

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. Other receivables (Continued)****6.3 Other receivables (Continued)**(3) *Details of bad debt provision*

RMB

Category	1 January 2022 (Restated)	Changes for the year			31 December 2022
		Provision	Received or reversed	Written off or charged off	
Other receivables for which bad debt provision is assessed individually and on portfolio basis according to credit risk characteristics	2,715,889.66	6,437,932.95	(2,184,702.72)	–	6,969,119.89

Changes in bad debt provision of other receivables are as follows:

RMB

Bad debt provision	Stage I 12-month ECL	Stage II Lifetime ECL (not credit- impaired)	Stage III Lifetime ECL (credit-impaired)	Total
1 January 2022 (Restated)	2,715,889.66	–	–	2,715,889.66
– Transfer into Stage II	–	–	–	–
– Transfer into Stage III	–	–	–	–
– Reverse to Stage II	–	–	–	–
– Reverse to Stage I	–	–	–	–
Provision	6,437,932.95	–	–	6,437,932.95
Reversal	(2,184,702.72)	–	–	(2,184,702.72)
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–	–
Other changes	–	–	–	–
31 December 2022	6,969,119.89	–	–	6,969,119.89

(4) *Top five other receivables categorized by debtor*

RMB

Item	Nature	Gross carrying amount	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables as at 31 December 2022	Receivables from related parties, advances receivable	413,769,159.48	Within 1 year, 1–2 years, 2–3 years, over 3 years	44.01	–

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Classification of inventories

RMB

Item	31 December 2022			31 December 2021 (Restated)		
	Gross carrying amount	Provision for decline in value	Carrying amount	Gross carrying amount	Provision for decline in value	Carrying amount
Properties held for development (Note 1)	254,000,155.96	–	254,000,155.96	252,297,560.64	–	252,297,560.64
Properties under development (Note 2)	101,081,878.68	–	101,081,878.68	519,737,453.95	–	519,737,453.95
Properties held for sale (Note 3)	534,923,450.11	–	534,923,450.11	103,908,129.83	–	103,908,129.83
Raw materials	291,987,813.12	66,232,600.52	225,755,212.60	251,139,643.00	6,266,143.51	244,873,499.49
Work in progress	173,997,247.29	3,187,188.51	170,810,058.78	173,650,856.04	786,831.90	172,864,024.14
Finished goods	64,120,269.89	40,146,796.14	23,973,473.75	44,127,465.84	3,500,752.82	40,626,713.02
Low value consumables and others	3,718,726.93	–	3,718,726.93	4,513,478.01	–	4,513,478.01
Total	1,423,829,541.98	109,566,585.17	1,314,262,956.81	1,349,374,587.31	10,553,728.23	1,338,820,859.08

Note 1: Properties held for development represent the lands held by the Company's subsidiary Guizhou Shenzhen Expressway Land Co., Ltd. ("Guizhou Land"), which are to be developed under Phase II and Phase V of Youshan Villa project.

Note 2: Properties under development

RMB

Name of project	Start time	Estimated completion date	Amount of estimated investment	31 December 2022	31 December 2021 (Restated)
Phase III Stage III of Youshan Villa	September 2020	September 2022	960,479,500.00	–	438,892,819.36
Public area	December 2015		–	101,081,878.68	80,844,634.59
Total			960,479,500.00	101,081,878.68	519,737,453.95

Note 3: Properties held for sale

RMB

Name of project	Time of completion	1 January 2022 (Restated)	Addition	Reduction	31 December 2022	Provision for decline in value
Phase I Stage I of Youshan Villa	December 2016	17,264,656.28	–	6,087,779.04	11,176,877.24	–
Phase II Stage II of Youshan Villa	April 2019	47,833,651.62	–	1,581,927.85	46,251,723.77	–
Phase III Stage I of Youshan Villa	November 2020	38,809,821.93	–	21,255,611.49	17,554,210.44	–
Phase III Stage III of Youshan Villa	September 2022	–	553,097,549.35	93,156,910.69	459,940,638.66	–
Total		103,908,129.83	553,097,549.35	122,082,229.07	534,923,450.11	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. Inventories (continued)****(2) Provision for decline in value of inventories**

RMB

Item	1 January 2022 (Restated)	Provision	Reversal	Write-off	31 December 2022
Raw materials	6,266,143.51	59,966,457.01	-	-	66,232,600.52
Work in progress	786,831.90	2,400,356.61	-	-	3,187,188.51
Finished goods	3,500,752.82	36,646,043.32	-	-	40,146,796.14
Total	10,553,728.23	99,012,856.94	-	-	109,566,585.17

(3) Explanation on capitalized borrowing costs included in the closing balance of inventories

In the current year, the amount of capitalized interest included in inventories was RMB1,924,457.48 (2021: RMB1,732,744.39), and the capitalization rate used to recognize the capitalization amount was 4.75% (2021: 4.75%). As at 31 December 2022, the amount of capitalized interest included in the closing balance of inventories was RMB3,662,855.01 (31 December 2021: RMB2,618,438.36).

8. Contract assets**(1) Details of contract assets**

RMB

Item	31 December 2022			31 December 2021 (Restated)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Construction receivables	295,419,726.44	3,304,869.42	292,114,857.02	285,947,418.06	3,304,869.42	282,642,548.64
Warranties receivable	73,757,219.88	343,019.88	73,414,200.00	73,414,200.00	329,368.50	73,084,831.50
Kitchen waste engineering construction receivables	28,283,661.48	16,471,364.68	11,812,296.80	55,926,013.11	16,471,364.68	39,454,648.43
Total	397,460,607.80	20,119,253.98	377,341,353.82	415,287,631.17	20,105,602.60	395,182,028.57

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets (Continued)

(2) Amount and reason for the significant changes in carrying amount for the year

RMB

Item	Amount of changes	Reason for changes
Construction receivables	9,472,308.38	Increase in contract assets recognized based on project progress for the year
Kitchen waste engineering construction receivables	(27,642,351.63)	Carry forward contract assets based on project settlement situation for the year

(3) Provision for impairment of contract assets for the year

RMB

Item	1 January	Provision	Reversal	Write-off/Charge-off	31 December	Reason
	2022 (Restated)				2022	
Construction receivables	3,304,869.42	-	-	-	3,304,869.42	-
Warranties receivable	329,368.50	13,651.38	-	-	343,019.88	-
Kitchen waste engineering construction receivables	16,471,364.68	-	-	-	16,471,364.68	-
Total	20,105,602.60	13,651.38	-	-	20,119,253.98	-

Changes in provision for impairment of contract assets are as follows:

RMB

Provision for impairment	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2022 (Restated)	20,105,602.60	-	20,105,602.60
- Transfer into those credit-impaired	-	-	-
- Reversal of those not credit-impaired	-	-	-
Provision	13,651.38	-	13,651.38
Reversal	-	-	-
Transfer out due to derecognition	-	-	-
31 December 2022	20,119,253.98	-	20,119,253.98

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Non-current assets due within one year

RMB

Item	31 December 2022	31 December 2021 (Restated)
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	52,377,212.17	120,895,107.33
Financial leasing receivables	145,910,867.47	60,790,008.82
Refund of equity transfer fund due from Hotai Investment	–	32,000,000.00
Receivables from Guizhou Longli County Government in relation to Longli BT Project	–	22,548,751.19
Sub-total	198,288,079.64	236,233,867.34
Less: Provision for bad debts	1,583,857.33	424,993.14
Total	196,704,222.31	235,808,874.20

Note: Please refer to Note V, 12.

10. Other current assets

RMB

Item	31 December 2022	31 December 2021 (Restated)
Pending deduction of input value-added tax	240,144,678.43	532,701,075.67
Prepaid tax	17,661,065.72	13,439,414.00
Total	257,805,744.15	546,140,489.67

11. Long-term prepayments

RMB

Item	31 December 2022	31 December 2021 (Restated)
Prepayments for acquisition and construction of long-term assets	589,559,480.09	3,151,829.89
Prepayments for reconstruction and expansion of Shenzhen Airport-Heao Expressway	291,600,725.90	300,926,235.11
Prepaid project fund of Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	63,608,512.06	57,932,647.65
Prepaid project fund of Guangming Environment project	29,543,364.49	–
Prepaid project fund of the Second Shenzhen-Shantou Expressway	–	30,165,945.78
Prices for acquiring equity of Shenzhen Investment Holdings International Capital Holding Infrastructure Company Limited ("SIHICH")	–	610,973,679.03
Finance lease prepayments for equipment from Financial Leasing Company	22,567,974.20	788,934,557.45
Total	996,880,056.74	1,792,084,894.91

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

(1) Details of long-term receivables:

RMB

Item	31 December 2022			31 December 2021 (Restated)			Range of discount rate
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount	
Financial leasing receivables (Note 1)	1,185,090,984.80	22,432,158.58	1,162,658,826.22	388,879,531.18	2,716,754.90	386,162,776.28	-
Electricity compensation income (Note 2)	1,088,459,539.35	5,442,297.69	1,083,017,241.66	737,182,813.78	2,403,815.78	734,778,998.00	4.35%
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	103,194,656.91	-	103,194,656.91	176,616,203.44	-	176,616,203.44	-
Refund of equity transfer fund due from Hotai Investment (Note 3)	-	-	-	32,000,000.00	-	32,000,000.00	-
Receivables from Guizhou Longli County Government in relation to Longli BT Project	-	-	-	22,548,751.19	-	22,548,751.19	-
Sub-total	2,376,745,181.06	27,874,456.27	2,348,870,724.79	1,357,227,299.59	5,120,570.68	1,352,106,728.91	
Less: Long-term receivables due within one year	198,288,079.64	1,583,857.33	196,704,222.31	236,233,867.34	424,993.14	235,808,874.20	-
Including: Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	52,377,212.17	-	52,377,212.17	120,895,107.33	-	120,895,107.33	-
Financial leasing receivables (Note 1)	145,910,867.47	1,583,857.33	144,327,010.14	60,790,008.82	424,993.14	60,365,015.68	-
Refund of equity transfer fund due from Hotai Investment (Note 3)	-	-	-	32,000,000.00	-	32,000,000.00	-
Receivables from Guizhou Longli County Government in relation to Longli BT Project	-	-	-	22,548,751.19	-	22,548,751.19	-
Total	2,178,457,101.42	26,290,598.94	2,152,166,502.48	1,120,993,432.25	4,695,577.54	1,116,297,854.71	

Note 1: It represents the rents and interest of equipment under financial leasing receivable by the Company's subsidiary Financial Leasing Company. As at 31 December 2022, the financial leasing receivables amounted to RMB1,185,090,984.80 (31 December 2021: RMB388,879,531.18).

Note 2: As at 31 December 2022, the balance of electricity compensation income which has not been received by wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianxin Company, Qianhui Company, Yongcheng Zhuneng and Ningxia Zhongwei totaled RMB1,088,459,539.35 (31 December 2021: RMB737,182,813.78).

Note 3: According to the sale and purchase agreement and supplementary agreement entered into in December 2020 between Mei Wah Company, a subsidiary of the Company, and Hotai Investment which is the former shareholder of Qinglong Expressway Co., Ltd. ("Qinglong Company"), a subsidiary of the Company, Mei Wah Company confirmed that the refunded consideration receivable amounted to RMB40,000,000.00 and interest income amounted to RMB8,890,000.00. The above refund receivable will be paid in installments. As at 31 December 2022, the refund receivable has been received already.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**12. Long-term receivables (continued)****(2) Bad debt provision***RMB*

Item	1 January 2022 (Restated)	Addition	Reduction	31 December 2022
Bad debt provision	4,695,577.54	21,595,021.40	–	26,290,598.94

Changes in bad debt provision of long-term receivables are as follows:

RMB

	Stage I 12-month ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired)	Total
1 January 2022 (Restated)	4,695,577.54	–	–	4,695,577.54
– Transfer into Stage II	–	–	–	–
– Transfer into Stage III	–	–	–	–
– Reverse to Stage II	–	–	–	–
– Reverse to Stage I	–	–	–	–
Provision	16,071,082.84	–	–	16,071,082.84
Reversal	–	–	–	–
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–	–
Other changes	5,523,938.56	–	–	5,523,938.56
31 December 2022	26,290,598.94	–	–	26,290,598.94

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

RMB

Investee	1 January 2022 (Restated)	Changes for the year							31 December 2022	Shareholdings (%)	Provision for impairment 31 December 2022
		Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Cash dividend or profit declared	Provision for impairment	Others			
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	298,691,867.76	158,839,698.12	-	35,936,866.38	-	(44,430,317.62)	-	-	449,038,114.64	35.00	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	807,388,513.77	-	-	27,017,243.50	-	(3,278,445.87)	-	-	831,127,311.40	25.00	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	326,012,414.64	-	-	46,476,396.39	-	(50,660,800.00)	-	-	321,828,011.03	25.00	-
Shenzhen International United Land Company Limited ("United Land Company") (Note 1)	1,213,223,134.59	-	(210,700,000.00)	26,422,392.14	-	(84,353,284.12)	-	(921,200,000.00)	23,392,242.61	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment")	4,946,099,608.64	-	-	256,032,658.18	(7,062,719.18)	(148,000,000.00)	-	14,131,819.16	5,061,201,366.80	20.00	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Shengchuang Fund")	124,919,605.79	-	-	(6,537,537.66)	-	-	-	-	118,382,068.13	45.00	-
Shenzhen Fenghe Energy Investment Co., Ltd. ("Fenghe Energy")	-	200,000,000.00	-	13,223,929.34	-	-	-	-	213,223,929.34	50.00	-
Guangzhou-Shenzhen-Zhuhai Expressway	5,720,369,476.17	-	-	(42,113,040.43)	-	(631,679,582.02)	-	-	5,046,576,853.72	45.00	-
Guangdong Guangzhou West Line Expressway Co., Ltd. ("Guangzhou West Line Expressway")	3,627,919,660.88	-	-	75,167,047.01	-	(173,641,362.52)	-	-	3,529,445,345.37	50.00	-
Guangzhou Zhentong Industrial Development Co., Ltd. ("Xintang Joint Venture") (Note 2)	396,259,139.00	-	-	(5,548,654.95)	-	-	-	-	390,710,484.05	15.00	-
Others (Note 3)	1,647,529,820.05	3,600,000.00	-	156,610,482.35	(16,202,400.00)	(30,132,420.00)	-	2,738,738.88	1,764,144,221.28	-	-
Total	19,108,413,241.29	362,439,698.12	(210,700,000.00)	582,687,782.25	(23,265,119.18)	(1,166,176,212.15)	-	(904,329,441.96)	17,749,069,948.37	-	-

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**13. Long-term equity investments (Continued)**

Note 1: In June 2022, pursuant to the resolution of the shareholders' meeting, the capital reserve of United Land Company, an associate of the Company, was transferred to equity at an amount of RMB2,686 million and its registered capital was decreased by RMB3,300 million, with all shareholders reducing their capital contributions in proportion to their shareholdings, of which the Company reduced the capital by RMB1,130 million (of which RMB921.2 million was derived from the transfer of capital reserve to capital of United Land Company). After the completion of the capital reduction, the Company's equity interest in United Land Company remained unchanged at 34.30%.

Note 2: Bay Area Development, a subsidiary of the Company, has appointed one director to the Board of Directors of Xintang Joint Venture, which has a significant impact on its operation and financial decisions.

Note 3: Others include the Group's associates and joint ventures Yunji Smart Engineering Co., Ltd. ("Yunji Smart"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), Bank of Guizhou Co., Ltd. ("Bank of Guizhou"), Shenzhen Guangming Fengrunjiu Health Service Co., Ltd. ("Guangming Fengrunjiu"), Huai'an Zhongheng New Energy Co., Ltd. ("Huai'an Zhongheng") and China Environmental Resources Technology Co., Ltd. ("China Environmental Resources").

14. Other non-current financial assets

RMB

Item	31 December 2022	31 December 2021 (Restated)
Shenzhen Water Planning & Design Institute Co., Ltd. ("Water Planning & Design Institute")	246,936,713.24	240,218,654.87
Shenzhen State Owned Cooperative Development Private Equity Fund Partnership (Limited Partnership) ("Cooperative Development Fund")	308,486,714.70	308,486,714.70
Guangdong United Electronic Service Co., Ltd. ("United Electronic")	173,913,232.50	156,213,134.69
Guangdong Heyuan Rural Commercial Bank Co., Ltd.	22,503,680.00	22,503,680.00
Guangdong Zijin Rural Commercial Bank Co., Ltd.	9,180,560.00	9,180,560.00
Yiwu Shenneng Renewable Resources Utilization Co., Ltd.	2,243,730.00	2,243,730.00
Total	763,264,630.44	738,846,474.26

In the current year, the gains from changes in fair value of such equity investments is RMB24,418,156.18 (2021: gains from changes in fair value of RMB51,955,187.72 incurred). Please refer to Note V, 55.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties

(1) Investment properties measured at cost:

RMB

Item	Parking space	Buildings	Total
I. Cost			
1. Opening balance (Restated)	18,180,000.00	31,346,745.27	49,526,745.27
2. Additions in the year	–	12,263,062.18	12,263,062.18
(1) Transfer from fixed assets	–	12,263,062.18	12,263,062.18
3. Reductions	–	25,437,146.61	25,437,146.61
(1) Transfer to fixed assets	–	25,437,146.61	25,437,146.61
4. Closing balance	18,180,000.00	18,172,660.84	36,352,660.84
II. Accumulated amortization			
1. Opening balance (Restated)	7,532,834.52	3,143,017.37	10,675,851.89
2. Additions in the year	575,724.24	2,074,092.46	2,649,816.70
(1) Provision	575,724.24	877,772.05	1,453,496.29
(2) Transfer from fixed assets	–	1,196,320.41	1,196,320.41
3. Reductions	–	3,041,829.70	3,041,829.70
(1) Transfer to fixed assets	–	3,041,829.70	3,041,829.70
4. Closing balance	8,108,558.76	2,175,280.13	10,283,838.89
III. Carrying amount			
1. Closing balance	10,071,441.24	15,997,380.71	26,068,821.95
2. Opening balance (Restated)	10,647,165.48	28,203,727.90	38,850,893.38

* The Group's investment properties are all located in the mainland of China and held in the form of leases.

(2) As at 31 December 2022, the investment properties without the certificate of ownership are listed as follows:

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Buildings	15,997,380.71	In process
Parking space beneath the Jiangsu Building	10,071,441.24	All certificates of ownership of the parking space in Shenzhen are not available

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**16. Fixed assets****(1) General information of fixed assets**

RMB

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
I. Cost						
1. Opening balance (Restated)	1,216,834,845.56	1,760,017,214.22	38,107,192.67	110,956,865.10	4,285,316,550.11	7,411,232,667.66
2. Additions	1,696,742,908.85	61,723,858.70	10,772,960.30	36,066,452.45	254,322,306.50	2,059,628,486.80
(1) Purchase	17,225,981.09	27,265,326.12	10,449,797.80	35,516,872.96	254,322,306.50	344,780,284.47
(2) Transfer from construction in progress	1,654,079,781.15	34,458,532.58	-	-	-	1,688,538,313.73
(3) Addition due to business combinations	-	-	323,162.50	549,579.49	-	872,741.99
(4) Transfer from investment properties	25,437,146.61	-	-	-	-	25,437,146.61
3. Reductions	12,263,062.18	175,708,305.38	1,098,425.61	14,258,379.21	23,862,954.35	227,191,126.73
(1) Disposals or retirement	-	147,189,258.29	1,098,425.61	14,258,379.21	44,914.53	162,590,977.64
(2) Transfer to investment properties	12,263,062.18	-	-	-	-	12,263,062.18
(3) Other reductions	-	28,519,047.09	-	-	23,818,039.82	52,337,086.91
4. Closing balance	2,901,314,692.23	1,646,032,767.54	47,781,727.36	132,764,938.34	4,515,775,902.26	9,243,670,027.73
II. Accumulated depreciation						
1. Opening balance (Restated)	311,823,198.43	979,463,880.09	20,713,477.24	59,556,907.10	329,027,313.47	1,700,584,776.33
2. Additions	104,513,654.13	110,637,937.96	5,596,855.33	26,143,966.12	238,287,419.90	485,179,833.44
(1) Provision	101,471,824.43	110,637,937.96	5,596,855.33	26,143,966.12	238,287,419.90	482,138,003.74
(2) Transfer from investment properties	3,041,829.70	-	-	-	-	3,041,829.70
3. Reductions	1,196,320.41	132,311,460.40	789,735.48	12,087,552.72	5,865,967.24	152,251,036.25
(1) Disposals or retirement	-	132,311,460.40	789,735.48	12,087,552.72	-	145,188,748.60
(2) Transfer to investment properties	1,196,320.41	-	-	-	-	1,196,320.41
(3) Others	-	-	-	-	5,865,967.24	5,865,967.24
4. Closing balance	415,140,532.15	957,790,357.65	25,520,597.09	73,613,320.50	561,448,766.13	2,033,513,573.52
III. Provision for impairment						
1. Opening balance (Restated)	-	-	-	-	655,667.88	655,667.88
2. Additions	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
3. Closing balance	-	-	-	-	655,667.88	655,667.88
IV. Carrying amount						
1. Closing balance	2,486,174,160.08	688,242,409.89	22,261,130.27	59,151,617.84	3,953,671,468.25	7,209,500,786.33
2. Opening balance (Restated)	905,011,647.13	780,553,334.13	17,393,715.43	51,399,958.00	3,955,633,568.76	5,709,992,223.45

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(2) Fixed assets without certificates of ownership

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Buildings	668,898,537.56	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates except that the certificates for the buildings of Qiantai Company are in process.

17. Construction in progress

(1) Details of construction in progress

RMB

Item	31 December 2022			31 December 2021 (Restated)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Langfang factory project	80,902,114.07	-	80,902,114.07	62,438,575.48	-	62,438,575.48
Special electromechanical project	34,849,740.12	-	34,849,740.12	11,032,054.23	-	11,032,054.23
Office building decoration and rectification civil engineering	29,184,866.66	-	29,184,866.66	36,322,191.70	-	36,322,191.70
Xuanwei project	25,167,669.00	-	25,167,669.00	24,674,152.66	-	24,674,152.66
Technical transformation for production line of Qiantai Company	17,972,695.94	-	17,972,695.94	-	-	-
Congestion control project for key toll stations in directly-managed sections	9,829,025.97	-	9,829,025.97	-	-	-
Construction project for "provincial station" direct transmission system	1,657,105.52	-	1,657,105.52	5,858,672.79	-	5,858,672.79
Hanking Headquarters Building	-	-	-	1,611,767,386.58	-	1,611,767,386.58
Upgrading of anti-collision ring for navigation hole	-	-	-	14,685,215.28	-	14,685,215.28
Others	30,340,389.78	4,199,980.14	26,140,409.64	17,154,728.29	4,199,980.14	12,954,748.15
Total	229,903,607.06	4,199,980.14	225,703,626.92	1,783,932,977.01	4,199,980.14	1,779,732,996.87

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

(2) Changes in significant construction in progress during the year

RMB

Item	Budget amount	1 January 2022 (Restated)	Additions in the current year	Transfer to fixed assets	Transfer to intangible assets	Other reductions in the current year	31 December 2022	Proportion of the accumulated project investment to total budget (%)	Project progress (%)	Cumulative amount of interest capitalized	Including interest capitalized for the current year	Interest capitalization rate for the current year (%)	Source of funds
Langfang factory project	163,000,000.00	62,438,575.48	18,463,538.59	-	-	-	80,902,114.07	48.24	48.24	-	-	-	Self-owned funds
Special electromechanical project	50,000,000.00	11,032,054.23	31,406,606.43	7,129,697.82	-	459,222.72	34,849,740.12	69.70	69.70	-	-	-	Self-owned funds
Office building decoration and rectification civil engineering	72,000,000.00	36,322,191.70	4,033,098.89	2,137,464.95	-	9,032,958.98	29,184,866.66	99.00	99.00	-	-	-	Self-owned funds
Xuanwei project	96,000,000.00	24,674,152.66	483,516.34	-	-	-	25,167,669.00	26.22	26.22	-	-	-	Self-owned funds
Technical transformation for production line of Qiantai Company	31,000,000.00	-	17,972,695.94	-	-	-	17,972,695.94	57.98	57.98	-	-	-	Self-owned funds
Congestion control project for key toll stations in directly-managed sections	48,494,200.00	-	9,829,025.97	-	-	-	9,829,025.97	20.27	20.27	-	-	-	Self-owned funds
Construction project for "provincial station" direct transmission system	8,000,000.00	5,858,672.79	286,284.32	4,487,851.59	-	-	1,657,105.52	78.80	78.80	-	-	-	Self-owned funds
Hanking Headquarters Building	1,809,000,000.00	1,611,767,386.58	28,566,043.29	1,640,333,429.87	-	-	-	100.00	100.00	-	-	-	Self-owned funds
Upgrading of anti-collision ring for navigation hole	14,000,000.00	14,685,215.28	-	12,065,212.29	-	2,620,002.99	-	100.00	100.00	-	-	-	Self-owned funds
Others	-	17,154,728.29	39,771,323.67	22,384,657.21	1,228,634.17	2,972,370.80	30,340,389.78	-	-	-	-	-	Self-owned funds
Total	-	1,788,932,977.01	150,822,133.44	1,888,538,313.73	1,228,634.17	15,084,555.49	229,903,607.06	-	-	-	-	-	-

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For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-of-use assets

RMB

Item	Buildings	Billboards	Total
I. Cost			
1. Opening balance (Restated)	475,619,681.04	22,328,074.51	497,947,755.55
2. Additions in the current year	27,631,901.31	–	27,631,901.31
(1) Additions	26,629,900.78	–	26,629,900.78
(2) Addition due to business combinations	1,002,000.53	–	1,002,000.53
3. Reductions in the current year	285,895,574.96	4,975,232.82	290,870,807.78
(1) Disposals	285,895,574.96	4,975,232.82	290,870,807.78
4. Closing balance	217,356,007.39	17,352,841.69	234,708,849.08
II. Accumulated depreciation			
1. Opening balance (Restated)	102,544,146.13	13,927,912.70	116,472,058.83
2. Additions in the current year	49,277,323.47	3,924,668.74	53,201,992.21
(1) Provision	49,277,323.47	3,924,668.74	53,201,992.21
3. Reductions in the current year	24,631,580.08	499,739.75	25,131,319.83
(1) Disposals	24,631,580.08	499,739.75	25,131,319.83
4. Closing balance	127,189,889.52	17,352,841.69	144,542,731.21
III. Provision for impairment			
1. Opening balance (Restated)	14,754,044.72	–	14,754,044.72
2. Closing balance	14,754,044.72	–	14,754,044.72
IV. Carrying amount			
1. Closing balance	75,412,073.15	–	75,412,073.15
2. Opening balance (Restated)	358,321,490.19	8,400,161.81	366,721,652.00

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**19. Intangible assets****(1) Details of intangible assets**

RMB

Item	Franchise rights	Office software and others	Billboard use rights	Land use right (Note 1)	Contract rights	Patent use right	Total
I. Cost							
1. Opening balance (Restated)	42,854,675,495.43	46,117,833.71	59,953,840.88	208,097,110.30	71,938,085.78	167,645,111.12	43,408,427,477.22
2. Additions in the current year	1,499,627,865.81	4,289,710.39	-	52,180.00	-	28,600,209.49	1,532,569,965.69
(1) Purchases	132,509.26	4,289,710.39	-	52,180.00	-	28,600,209.49	33,074,609.14
(2) Constructions	1,228,509,036.25	-	-	-	-	-	1,228,509,036.25
(3) Addition due to business combinations	270,986,320.30	-	-	-	-	-	270,986,320.30
3. Reductions in the current year	33,150,106.55	88,833.11	-	-	-	-	33,238,939.66
(1) Disposals	-	88,833.11	-	-	-	-	88,833.11
(2) Other reductions in the current year	33,150,106.55	-	-	-	-	-	33,150,106.55
4. Closing balance	44,321,153,254.69	50,318,710.99	59,953,840.88	208,149,290.30	71,938,085.78	196,245,320.61	44,907,758,503.25
II. Accumulated amortization							
1. Opening balance (Restated)	12,374,872,480.30	21,215,601.10	59,503,133.85	5,523,365.63	11,915,031.58	34,108,664.74	12,507,138,277.20
2. Additions in the current year	1,686,839,098.47	7,219,129.86	166,844.40	5,175,833.80	8,813,934.03	15,876,267.26	1,724,091,107.82
(1) Provision	1,686,839,098.47	7,219,129.86	166,844.40	5,175,833.80	8,813,934.03	15,876,267.26	1,724,091,107.82
3. Reductions in the current year	273,710.52	86,963.42	-	-	-	-	360,673.94
(1) Disposals	-	86,963.42	-	-	-	-	86,963.42
(2) Other reductions in the current year	273,710.52	-	-	-	-	-	273,710.52
4. Closing balance	14,061,437,868.25	28,347,767.54	59,669,978.25	10,699,199.43	20,728,965.61	49,984,932.00	14,230,868,711.08
III. Provision for impairment							
1. Opening balance (Restated)	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
2. Additions in the current year	1,000,197.20	-	-	-	-	18,050,000.00	19,050,197.20
3. Closing balance	3,811,235,491.81	-	-	-	-	18,050,000.00	3,829,285,491.81
IV. Carrying amount							
1. Closing balance	26,448,479,894.63	21,970,943.45	283,862.63	197,450,090.87	51,209,120.17	128,210,388.61	26,847,604,300.36
2. Opening balance (Restated)	26,669,567,720.52	24,902,232.61	450,707.03	202,573,744.67	60,023,054.20	133,536,446.38	27,091,053,905.41

* The Group's land use rights are located in the mainland of China and held in the form of franchise.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (Continued)

(2) Land use right without the certificate of ownership is listed as follows:

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Land use right of Damaoqi wind power project	12,156,275.75	In progress

(3) Information of franchise rights:

RMB

Item	Cost	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	Amortization in the current year	Impairment in the current year	31 December 2022	Accumulated amortization	Provision for impairment
I. Franchise rights associated with toll roads									
Qinglian Expressway (Note 1)	9,286,165,486.15	5,801,265,680.66	132,509.26	-	251,439,011.84	-	5,549,959,178.08	3,116,206,308.07	620,000,000.00
Airport-Heao Expressway	4,927,020,354.41	1,501,183,976.72	435,953,654.89	54,411.37	180,497,208.31	-	1,756,586,011.93	3,170,434,342.48	-
Meiguan Expressway	604,588,701.64	163,221,235.00	-	-	26,215,160.06	-	137,006,074.94	467,582,626.70	-
Outer Ring Expressway (Note 1)	5,741,898,614.12	5,501,546,332.03	-	-	241,287,864.89	-	5,260,258,467.14	481,640,146.98	-
Shuiguan Expressway (Note 1)	4,448,811,774.58	1,712,659,598.88	-	-	375,487,395.07	-	1,337,172,203.81	2,559,639,570.77	552,000,000.00
Yichang Expressway	3,160,038,564.24	2,455,466,563.20	-	-	152,755,768.16	-	2,302,710,795.04	857,327,769.20	-
Changsha Ring Road	614,374,358.81	478,172,980.07	1,205,867.91	30,180,468.90	39,001,311.70	-	410,197,067.38	204,177,291.43	-
Coastal Expressway Shenzhen Section (Note 1)	9,627,608,444.36	5,525,740,546.49	318,810,509.20	-	159,346,263.20	-	5,685,204,792.49	1,304,168,357.26	2,638,235,294.61
Wuhuang Expressway	1,523,192,561.66	138,196,139.39	0.02	-	138,196,139.41	-	-	1,523,192,561.66	-
Longda Expressway	251,559,214.13	81,727,694.04	-	-	13,604,131.62	-	68,123,562.42	183,435,651.71	-
Sub-total	40,185,258,074.10	23,359,180,746.48	756,102,541.28	30,234,880.27	1,577,830,254.26	-	22,507,218,153.23	13,867,804,626.26	3,810,235,294.61
II. Franchise rights associated with kitchen waste disposal									
Kitchen waste disposal of Bioland Company (Note 1)	3,447,789,741.85	3,216,543,466.45	146,621,877.62	-	98,878,845.29	1,000,197.20	3,263,286,301.58	183,503,243.07	1,000,197.20
Kitchen waste disposal of Guangming	384,317,693.87	93,843,507.59	290,474,186.28	-	-	-	384,317,693.87	-	-
Kitchen waste disposal of Shenzhen Lisai Environmental Protection Technology Co., Ltd. ("Lisai Environmental Protection")	268,344,804.54	-	270,986,320.30	2,641,515.76	10,129,998.92	-	258,214,805.62	10,129,998.92	-
Sub-total	4,100,452,240.26	3,310,386,974.04	708,082,384.20	2,641,515.76	109,008,844.21	1,000,197.20	3,905,818,801.07	193,633,241.99	1,000,197.20
III. Franchise rights associated with construction and operation of welfare institute									
Shenzhen Guangming welfare institute project	35,442,940.33	-	35,442,940.33	-	-	-	35,442,940.33	-	-
Total	44,321,153,254.69	26,669,567,720.52	1,499,627,865.81	32,876,396.03	1,686,839,098.47	1,000,197.20	26,448,479,894.63	14,061,437,868.25	3,811,235,491.81

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**19. Intangible assets (Continued)****(3) Information of franchise rights: (Continued)**

Note 1: For the pledge of charging rights/equity/rights of management related to Qinglian Expressway, Outer Ring Expressway, Coastal Expressway Shenzhen Section, Shuiguan Expressway and Bioland Company's kitchen waste disposal projects, please refer to Notes V, 34 (2) and V, 63.

Note 2: During the year 2022, both the amount of intangible assets amortized and the amount included in profit or loss was RMB1,724,091,107.82 (2021: RMB1,809,848,993.13).

Note 3: During the year 2022, the Group capitalized borrowing costs on intangible assets amounting to RMB27,285,174.75 (2021: RMB26,349,535.08).

20. Goodwill**(1) Cost of goodwill**

RMB

Investee	1 January 2022 (Restated)	Additions in the current year		31 December 2022
		Business combinations not under common control	Reductions in the current year	
SIHICH (Note)	202,893,131.20	–	–	202,893,131.20
Nanjing Wind Power	156,039,775.24	–	–	156,039,775.24
Total	358,932,906.44	–	–	358,932,906.44

Note: Please refer to Note VI, 2.

(2) Provision for impairment of goodwill

RMB

Investee	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
Nanjing Wind Power	110,000,000.00	46,039,775.24	–	156,039,775.24

Goodwill arising from business combinations has been allocated to the following asset group for impairment testing:

- Wind turbines manufacturing asset group

The case where the carrying amount of goodwill is allocated to the asset group is as follows:

RMB

Item	Wind turbines manufacturing asset group	
	31 December 2022	31 December 2021 (Restated)
Carrying amount of goodwill	–	46,039,775.24

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill (Continued)

(2) Provision for impairment of goodwill (Continued)

As at 31 December 2022, the Group assessed the recoverable amount of Nanjing Wind Power and determined that the goodwill associated with the Group's acquisition of Nanjing Wind Power was impaired at the amount of RMB46,039,775.24.

The Group takes Nanjing Wind Power as an asset group for impairment testing. The recoverable amount is determined according to the present value of the estimated future cash flow of Nanjing Wind Power. The management of the Group expects the future cash flows during the detailed forecast period starting from 2023 to 2027 and the subsequent forecast period. The expected future cash flows during the detailed forecast period are determined based on the 5-year budget approved by the management. The expected future cash flows during the subsequent forecast period are determined based on the level of that in the last year of the detailed forecast period with consideration of the Group's business plan, industry development trend and inflation rate, etc. As at 31 December 2022, the Group adopts a discount rate of 13.06% (before tax) to discount the expected future cash flows. Other key assumptions include revenue growth rate and budget gross margin.

- Bay Area Development asset group

The case where the carrying amount of goodwill is allocated to the asset group is as follows:

	<i>RMB</i>	
	Bay Area Development asset group	
Item	31 December 2022	31 December 2021 (Restated)
Carrying amount of goodwill	202,893,131.20	202,893,131.20

As at 31 December 2022, the Group assessed the recoverable amount of the asset group of Bay Area Development and determined that the goodwill associated with the Group's acquisition of Bay Area Development was not impaired.

The Group takes the equity of Guangshen joint venture and West Line joint venture held by it as an asset group for impairment testing, and the recoverable amount is determined according to the present value of the estimated future cash flow of the equity. As at 31 December 2022, the management of the Group expects the future cash flows during the detailed forecast period starting from 2023 to the end of the franchise period of Guangshen joint venture and West Line joint venture. The expected future cash flows during the detailed forecast period are determined based on the business plan developed by the management, industry development trend and inflation rate, etc. As at 31 December 2022, the Group adopts discount rates of 7.94% (before tax) and 9.23% (before tax) to discount the expected future cash flows of Guangshen joint venture and West Line joint venture respectively. Other key assumptions include traffic volume growth rate and gross margin. The management of the Group believes that any reasonable change in the above assumptions will not result in the aggregate carrying amount of Bay Area Development exceeding its recoverable amount.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets before offsetting

RMB

Item	31 December 2022		31 December 2021 (Restated)	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment and amortization of franchise rights of Coastal Expressway	534,253,939.52	133,563,484.88	740,935,819.52	185,233,954.88
Deductible losses	468,176,313.96	117,044,078.49	535,151,876.72	133,787,969.18
Compensation for cost of services for newly-built toll station on Nanguang Expressway, Yanba Expressway and Yanpai Expressway ("Three Expressways") (Note 1)	211,704,931.35	52,926,232.84	241,584,931.35	60,396,232.84
Compensation for cost of services for newly-built toll station on Longda Expressway (Note 1)	145,915,980.26	36,478,995.03	169,895,702.06	42,473,925.51
Adjustments to fair values of net assets of merged enterprises such as Shenchang Expressway Co., Ltd in Changsha, Hunan ("Shenchang Company"), etc.	125,703,204.15	31,425,801.04	137,873,100.03	34,468,275.01
Payroll accrued but not paid	121,376,279.72	30,344,069.93	231,115,211.12	57,778,802.78
Amortization of other franchise rights	109,105,359.84	27,276,339.96	110,191,502.16	27,547,875.54
Bad debt provision	119,329,993.58	23,979,619.99	62,597,681.19	12,572,227.08
Property compensation of Meiguan Company (Note 2)	71,579,153.96	17,894,788.49	72,070,951.44	18,017,737.86
Provisions (Note 5)	67,820,501.40	14,000,043.20	78,183,630.23	16,590,825.41
Compensation for cost of services for newly-built road ramp on Meiguan Expressway (Note 3)	55,591,669.24	13,897,917.31	68,672,061.88	17,168,015.47
Expenses accrued but not paid	40,905,731.12	10,226,432.78	55,883,099.44	13,970,774.86
Provision for impairment loss of assets	44,065,644.63	8,661,302.41	46,069,043.43	11,055,565.54
Interest receivable due to capital reduction of United Land Company (Note 4)	14,515,097.04	3,628,774.26	14,614,825.64	3,653,706.41
Compensation for demolition costs of old toll stations on Three Expressways and Longda Expressway	7,176,461.64	1,794,115.41	7,176,461.64	1,794,115.41
Others	54,347,964.56	8,743,686.95	71,747,481.42	13,093,566.16
Total	2,191,568,225.97	531,885,682.97	2,643,763,379.27	649,603,569.94

Note 1: The Company received a compensation for cost of services for newly-built toll station and a toll adjustment compensation regarding Three Expressways and Longda Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

Note 2: Meiguan Company, the Company's subsidiary, recognized the compensation for future relocated property granted by United Land Company, an associate of the Group, as other non-current assets. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax asset for the temporary difference arising from the difference between the tax base and carrying amount of other non-current assets recognized.

Note 3: In 2015, the Group received a compensation for cost of services for newly-built toll station on Meiguan Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets/deferred tax liabilities (Continued)

(1) Deferred tax assets before offsetting (Continued)

Note 4: United Land Company capitalized the interest on capital reduction payable to the Company. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax assets for the temporary difference arising from the difference between the tax base and carrying amount based on its shareholding ratio of 34.30%.

Note 5: It represents the deferred tax assets accrued by Bioland Company for provisions recognized for pending litigation or arbitration and subsequent expenditures of BOT project.

(2) Deferred tax liabilities before offsetting

RMB

Item	31 December 2022		31 December 2021 (Restated)	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Business combinations not involving entities under common control				
– Qinglong Company	820,785,424.29	205,196,356.08	1,051,045,406.89	262,761,351.73
– Hunan Yichang Expressway Development Co., Ltd. (“Yichang Company”)	826,861,648.98	206,715,412.25	882,659,527.46	220,664,881.87
– Guangdong Qinglian Highway Development Co., Ltd. (“Qinglian Company”)	515,506,734.24	125,571,876.65	538,861,417.64	131,410,547.50
– Airport-Heao Eastern Company	446,355,587.56	111,588,898.88	554,771,623.20	138,692,907.79
– Bioland Company	479,521,980.67	118,059,244.80	497,628,469.43	122,585,866.99
– Lisai Environmental Protection	162,961,175.20	24,444,176.28	–	–
– Qiantai Company	142,595,090.85	19,792,846.79	148,544,636.05	21,280,233.09
– Nanjing Wind Power	19,798,354.13	2,969,753.12	60,675,257.47	9,101,288.62
– Baotou Nanfeng	30,556,500.16	7,639,125.04	32,311,755.52	8,077,938.88
– JEL Company	–	–	59,562,363.41	14,754,757.30
– Meiguan Company	2,434,313.32	608,578.33	4,445,096.32	1,111,274.08
– Shenzhen Expressway New Energy Holding Co., LTD. (“New Energy Company”)	14,410,510.52	3,602,627.63	15,370,253.72	3,842,563.43
Amortization of franchise rights (Note)	451,299,237.80	112,824,809.45	469,911,329.80	117,477,832.45
Compensation for valuation adjustment mechanism	210,804,141.40	52,701,035.35	212,637,357.38	53,159,339.35
Others	1,860,605,520.64	397,797,462.79	1,791,170,078.68	380,438,602.30
Total	5,984,496,219.76	1,389,512,203.44	6,319,594,572.97	1,485,359,385.38

Note: The methods for amortization of franchise rights associated with toll roads are inconsistent in accounting (traffic volume method) and taxation (straight-line method), resulting in temporary differences with deferred tax liability recognized.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**21. Deferred tax assets/deferred tax liabilities (Continued)****(3) Deferred tax assets or liabilities presented on net basis**

RMB

Item	Offset amount of deferred tax assets and liabilities as at 31 December 2022	Deferred tax assets or liabilities after offsetting as at 31 December 2022	Offset amount of deferred tax assets and liabilities as at 31 December 2021 (Restated)	Deferred tax assets or liabilities after offsetting as at 31 December 2021 (Restated)
Deferred tax assets	(108,478,031.97)	423,407,651.00	(198,372,585.64)	451,230,984.30
Deferred tax liabilities	(108,478,031.97)	1,281,034,171.47	(198,372,585.64)	1,286,986,799.74

(4) Details of unrecognized deferred tax assets

RMB

Item	31 December 2022	31 December 2021 (Restated)
Deductible tax losses	903,520,726.46	706,592,669.62
Deductible temporary differences	163,279,006.09	25,153,974.60
Total	1,066,799,732.55	731,746,644.22

(5) Deductible losses for which deferred tax assets are not recognized will expire in the following years

RMB

Year	31 December 2022	31 December 2021 (Restated)
2022	–	164,998,396.43
2023	25,062,641.28	61,657,228.91
2024	46,885,146.80	79,638,898.54
2025	62,050,134.87	127,574,136.79
2026	222,885,336.20	272,724,008.95
2027	546,637,467.31	–
Total	903,520,726.46	706,592,669.62

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets

RMB

Item	31 December 2022			31 December 2021 (Restated)		
	Gross carrying amount	Provision for impairment	Carrying amount	Gross carrying amount	Provision for impairment	Carrying amount
Contract assets over one year (Note 1)	2,640,721,802.69	-	2,640,721,802.69	2,158,179,212.94	-	2,158,179,212.94
Meiguan Company – property relocation compensation (Note 2)	342,599,500.00	-	342,599,500.00	342,599,500.00	-	342,599,500.00
Pending deduction of input tax over one year	189,928,839.31	-	189,928,839.31	-	-	-
Total	3,173,250,142.00	-	3,173,250,142.00	2,500,778,712.94	-	2,500,778,712.94

Note 1: It mainly includes the contract assets corresponding to the revenue that are recognized by the Group based on its understanding and judgement on documents regarding the exemption of road tolls during the specific period in 2020 issued by Guangdong Provincial Transportation Management Department.

Note 2: According to the Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company, in July 2016. On 27 April 2018, the two parties entered into the Supplementary Agreement for Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua District Minzhi Office, which stipulates that United Land Company will pay property relocation compensation on the basis of the above monetary compensation, the compensated relocated property is the office building to be constructed by United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be completed in 2023. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Peng Xin Zi Gu Bao Zi [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00.

23. Short-term borrowings

(1) Categories of short-term borrowings

RMB

Item	31 December 2022	31 December 2021 (Restated)
Pledged borrowings	7,129,200,145.74	1,365,213,031.88
Guaranteed borrowings	1,112,327,599.94	1,098,219,612.01
Credit borrowings	1,104,701,529.64	1,624,153,685.45
Mortgage borrowings	50,000,000.00	-
Borrowings in the form of discounted notes	-	33,000,000.00
Total	9,396,229,275.32	4,120,586,329.34

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term borrowings (Continued)

(2) Details of pledged borrowings

RMB

Name of entity	31 December 2022	Pledge
China Merchants Bank Co., Ltd. Shenzhen Anlian Sub-branch	4,074,917,519.37	45.454% equity of SIHICH
Ping An Bank Co., Ltd. Hong Kong Branch	1,855,105,066.23	20.31% equity of SIHICH
Industrial and Commercial Bank of China (Asia) Limited	1,066,339,355.04	14.506% equity of SIHICH
HSBC Hong Kong Head Office	54,662,792.12	45% equity of JEL Company
China Resources Bank Shenzhen Branch	66,355,412.98	Rents receivables under Wuqi Hejiu
China Merchants Bank Shenzhen Branch Anlian Sub-branch	11,820,000.00	Project amounting RMB82,875,000.00
		Commercial acceptance bills
Total	7,129,200,145.74	

(3) Details of guaranteed borrowings

RMB

Name of entity	31 December 2022	Guaranteed by
Shanghai Pudong Development Bank	553,827,400.00	Bay Area Development
Bank of China (Hong Kong) Limited	422,598,882.82	Bay Area Development
China Construction Bank Shenzhen Branch	117,901,317.12	The Company
China Merchants Bank Co., Ltd. Nanning Branch	18,000,000.00	Bioland Company
Total	1,112,327,599.94	

(4) Details of mortgage borrowings:

Name of entity	31 December 2022	Guaranteed by
Shanghai Pudong Development Bank	50,000,000.00	Land use right of Qiantai Company

24. Transactional financial liabilities

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
Financial liabilities designated as at FVTPL	–	133,009,243.01	–	133,009,243.01
Total	–	133,009,243.01	–	133,009,243.01

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Bills payable

RMB

Item	31 December 2022	31 December 2021 (Restated)
Commercial acceptance bills	204,239,880.66	70,000,000.00
Bank acceptance bills	24,430,000.00	17,244,188.73
Total	228,669,880.66	87,244,188.73

As at 31 December 2022, the Group had no overdue bills payable.

26. Accounts payable

(1) Presentation of accounts payable

RMB

Item	31 December 2022	31 December 2021 (Restated)
Payables for construction projects, quality deposits and security deposit	2,026,322,610.20	1,847,453,526.65
Payables for goods	577,333,357.41	497,974,006.39
Others	209,311,953.16	156,747,626.40
Total	2,812,967,920.77	2,502,175,159.44

(2) Significant accounts payable aged over 1 year:

RMB

Item	31 December 2022	Reason for failure in repayment or carry-forward
Total of top five accounts payable aged over 1 year as at 31 December 2022	247,316,754.62	Unsettled project funds

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**26. Accounts payable (Continued)****(3) Aging analysis of accounts payable by date of entry***RMB*

Item	31 December 2022	31 December 2021 (Restated)
0 – 90 days	1,251,781,919.06	1,441,311,851.35
91 – 180 days	197,292,236.35	24,718,954.37
181 – 365 days	287,904,720.40	54,588,183.08
More than 1 year	1,075,989,044.96	981,556,170.64
Total	2,812,967,920.77	2,502,175,159.44

27. Advances from customers**(1) Presentation of advances from customers***RMB*

Item	31 December 2022	31 December 2021 (Restated)
Rents received in advance	794,329.08	12,829,596.78

28. Contract liabilities**(1) Details of contract liabilities***RMB*

Item	31 December 2022	31 December 2021 (Restated)
Advances from sales of real estate	14,888,116.53	97,321,955.60
Advances from sales of goods	6,538,109.91	24,736,633.23
Advances from sales of wind turbine	5,993,361.00	87,361,581.35
Advances from operating and management fees	–	6,707,798.55
Others	2,913,429.28	3,118,431.60
Total	30,333,016.72	219,246,400.33

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contract liabilities (Continued)

(2) Amount and reason for significant change in carrying amount during the year

RMB

Item	Amount	Reason
Advances from sales of wind turbine	(81,368,220.35)	Carry forward revenue based on customer's acceptance
Advances from sales of real estate	(82,433,839.07)	Recognize revenue for advances from sales of houses
Total	(163,802,059.42)	

29. Employee benefits payable

(1) Presentation of employee benefits payable

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
I. Short-term wages	359,305,091.40	1,006,730,251.98	1,007,411,203.32	358,624,140.06
II. Post-employment benefits – defined contribution plans	4,764,627.68	104,952,561.17	104,547,304.37	5,169,884.48
Total	364,069,719.08	1,111,682,813.15	1,111,958,507.69	363,794,024.54

(2) Presentation of short-term benefits

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
I. Wages and salaries, bonuses, allowances and subsidies	341,146,381.00	778,598,970.29	784,466,010.01	335,279,341.28
II. Staff welfare	1,722,137.02	91,975,950.84	87,160,083.54	6,538,004.32
III. Social security contributions	551,241.17	38,102,800.01	37,410,834.84	1,243,206.34
Including: Medical insurance	494,376.65	34,172,220.45	33,551,636.49	1,114,960.61
Work injury insurance	21,022.64	1,453,123.35	1,426,733.93	47,412.06
Maternity insurance	35,841.88	2,477,456.21	2,432,464.42	80,833.67
IV. Housing funds	922,548.94	63,727,909.11	63,664,208.07	986,249.98
V. Labor union funds and employee education funds	12,266,518.13	16,757,904.14	17,665,741.18	11,358,681.09
VI. Others	2,696,265.14	17,566,717.59	17,044,325.68	3,218,657.05
Total	359,305,091.40	1,006,730,251.98	1,007,411,203.32	358,624,140.06

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**29. Employee benefits payable (Continued)****(3) Presentation of defined contribution plans**

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
1. Basic pensions	1,116,095.35	77,131,805.00	75,730,786.41	2,517,113.94
2. Unemployment insurance	55,830.62	3,858,376.53	3,788,293.16	125,913.99
3. Enterprise annuities	3,592,701.71	23,962,379.64	25,028,224.80	2,526,856.55
Total	4,764,627.68	104,952,561.17	104,547,304.37	5,169,884.48

The Group participates, as required, in the pension insurance and unemployment plans established by government institutions. According to such plans, the Group contributes monthly to such plans based on the regulations of government institutions. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In the current year, the Group should contribute pension insurance and unemployment plans amounting to RMB77,131,805.00 and RMB3,858,376.53 (2021: RMB70,266,480.58 and RMB3,514,951.32) respectively. As at 31 December 2022, the Group has outstanding contributions to pension insurance and unemployment plans that are due as at the reporting period amounting to RMB2,517,113.94 and RMB125,913.99 (31 December 2021: RMB1,116,095.35 and RMB55,830.62), which have been fulfilled subsequent to the reporting date.

30. Taxes payable

RMB

Item	31 December 2022	31 December 2021 (Restated)
VAT	247,354,932.23	266,343,462.20
Enterprise income tax	185,518,901.36	250,160,804.45
Land appreciation tax	60,584,898.11	58,166,026.61
City maintenance and construction tax	3,151,434.56	5,780,529.69
Educational surcharge	2,498,955.30	4,091,183.11
Others	8,495,901.45	10,270,835.01
Total	507,605,023.01	594,812,841.07

31. Other payables**31.1 Summary of other payables**

RMB

Item	31 December 2022	31 December 2021 (Restated)
Dividends payable	59,026,395.77	58,771,206.22
Other payables	1,312,742,294.61	1,717,726,485.28
Total	1,371,768,690.38	1,776,497,691.50

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

31.2 Dividends payable

RMB

Item	31 December 2022	31 December 2021 (Restated)
Perpetual bond dividends classified as equity instruments	5,877,411.77	5,622,222.22
Including: Perpetual bond dividends	5,877,411.77	5,622,222.22
Dividends payable – Original shareholder of Nanjing Wind Power	53,148,984.00	53,148,984.00
Total	59,026,395.77	58,771,206.22

31.3 Other payables

(1) Presentation of other payables by nature

RMB

Item	31 December 2022	31 December 2021 (Restated)
Payables for equity acquisition (Note)	216,521,233.40	223,923,423.97
Project funds retained for construction management contracts	12,133,832.03	341,443,869.32
Accrued project expenditure and special administrative expenses	148,883,809.47	168,813,444.03
Payables related to independent costs of construction projects	59,047,171.98	124,513,230.25
Payables for tender and performance deposits and warranty	102,290,835.84	153,201,358.46
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	139,855,284.60
Payables related to maintenance for roads	110,036,442.82	104,611,639.84
Payables for the cost of provincial toll station cancellation project	54,721,137.75	92,795,970.70
Payables for mechanical and electrical costs	37,704,328.83	39,237,087.92
Payables for country road construction fee and management service fee of Hunan Province	35,976,352.52	35,989,737.65
Accounts payable to related parties (Note X, 6(2))	61,845,716.90	20,660,212.29
Receipts of liquidated damages for equity transfer of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. ("Xinhe Lifu")	20,412,000.00	20,412,000.00
Others	313,314,148.47	252,269,226.25
Total	1,312,742,294.61	1,717,726,485.28

Note: The payables for equity acquisition mainly represent the equity transfer fund of RMB210,046,233.40 payable to the original shareholders of Nanjing Wind when Environment Company acquired the equity of Nanjing Wind Power in 2019, which, according to the M&A agreement, would not be paid until Nanjing Wind Power has cleared up the unrecovered employee occupation funds, recovered all of the accounts receivable, and obtained the confirmation from Environment Company.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**31. Other payables (Continued)****31.3 Other payables (Continued)**(2) *Significant other payables aged over 1 year*

RMB

Item	31 December 2022	Reason for failure in repayment or carry-forward
Total of top five other payables aged over 1 year as at 31 December 2022	387,433,331.30	Contract settlement has not been completed/Equity transfer fund has not been cleared

32. Non-current liabilities due within one year

RMB

Item	31 December 2022	31 December 2021 (Restated)
Long-term payables due within one year (Note V, 37)	2,180,436,285.12	2,764,079,432.18
Lease liabilities due within one year (Note V, 36)	53,517,680.22	62,027,445.34
Long-term borrowings due within one year (Note V, 34)	988,980,478.83	1,216,906,069.10
Including: Credit borrowings	630,267,129.79	271,531,764.95
Pledged borrowings	141,809,949.98	187,089,707.48
Mortgage borrowings	8,353,069.44	38,395,952.89
Guaranteed borrowings	208,550,329.62	719,888,643.78
Bonds payable due within one year (Note V, 35)	3,157,388,893.09	931,832,323.62
Total	6,380,323,337.26	4,974,845,270.24

33. Other current liabilities

RMB

Item	31 December 2022	31 December 2021 (Restated)
Ultra-short term financing notes (Note)	2,016,515,923.01	2,019,820,913.54
Output tax to be transferred	1,339,930.47	18,171,380.67
Total	2,017,855,853.48	2,037,992,294.21

Note: RMB1 billion of ultra-short term financing bonds was issued by the Company on 1 June 2022 with an annual interest rate of 2.00% and a term of 270 days; RMB1 billion of ultra-short term financing bonds was issued by the Company on 31 August 2022 with an annual interest rate of 1.72% and a term of 240 days.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings

(1) Classification of long-term borrowings:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Pledged borrowings	6,651,244,937.96	6,639,589,766.33
Guaranteed borrowings	2,953,903,875.43	2,301,808,673.88
Credit borrowings	472,792,000.00	1,319,961,000.00
Guaranteed and pledged borrowings	297,301,070.00	182,683,400.00
Mortgage borrowings	100,000,000.00	722,000,000.00
Guaranteed, mortgage and pledged borrowings	76,700,000.00	108,000,000.00
Accrued interest	10,286,704.73	12,057,724.25
Total	10,562,228,588.12	11,286,100,564.46
Less: Long-term borrowings due within one year	988,980,478.83	1,216,906,069.10
Long-term borrowings due after one year	9,573,248,109.29	10,069,194,495.36

(2) As at 31 December 2022, details of long-term borrowings are as follows:

RMB

Item	Currency	Amount	Guarantee details
Syndicated borrowing of Coastal project of the Company	RMB	1,479,940,000.00	Pledged by the charging right of Coastal Expressway
Borrowing of the Company	RMB	100,000,000.00	Pledged and guaranteed by 100% equity of Qianzhi, Qianhui and Qianxin wind farms under Xinjiang Mulei Project
Borrowing of Qinglian Company	RMB	2,639,984,000.00	Pledged by the charging right of Qinglian Expressway
Borrowing of Qinglong Company	RMB	348,750,000.00	Pledged by the charging right of Shuiguan Expressway
Borrowing of Financial Leasing Company	RMB	94,750,000.00	Pledged by the rents receivable under Wuqi Hejiju Project of Financial Leasing Company
Borrowing of Financial Leasing Company	RMB	7,487,937.96	Pledged by the rents receivable under Guangzhou Folangsi Project of Financial Leasing Company
Borrowing of Financial Leasing Company	RMB	28,500,000.00	Pledged by the rents receivable under Shanxi Nuohui Project and Shanxi Guanhang Project of Financial Leasing Company
Borrowing of Financial Leasing Company	RMB	5,605,000.00	Pledged by the rents receivable under Shaoguan Huanya Project of Financial Leasing Company
Borrowing of Qianxin Company	RMB	97,000,000.00	Pledged by the charging right of electric charge
Borrowing of Qianzhi Company	RMB	799,500,000.00	Pledged by the charging right of electric charge
Borrowing of Qianhui Company	RMB	513,500,000.00	Pledged by the charging right of electric charge
Borrowing of Baotou Lingxiang	RMB	227,000,000.00	Pledged by the charging right of electric charge
Borrowing of Coastal Company	RMB	30,000,000.00	Pledged by the charging right of Coastal Expressway and all proceeds thereunder
Borrowing of Yongcheng Zhuneng	RMB	178,000,000.00	Pledged by the charging right of Tuobin and Gaozhuang 32MW decentralized wind farm project of Shanghai Yongcheng Zhuneng
Borrowing of Qiantai Company	RMB	51,608,000.00	Pledged by all accounts receivable arising from the sale of goods and provision of services to the external parties
Borrowing of Lisai Environmental Protection Technology	RMB	44,620,000.00	Pledged by all accounts receivable generated under the concession agreement of BOT Project of Shenzhen Municipal Biomass Waste Disposal Project
Borrowing of Guangming Environment	RMB	5,000,000.00	Pledged by all accounts receivable generated under the concession agreement of Guangming Environment Park PPP project
Sub-total of pledged borrowings		6,651,244,937.96	

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings (Continued)

(2) As at 31 December 2022, details of long-term borrowings are as follows: (Continued)

Item	Currency	Amount	Guarantee details
Financing loan of Bay Area Development	RMB	2,953,903,875.43	Guaranteed by Bay Area Development
Sub-total of guaranteed borrowings		2,953,903,875.43	
M&A loan of the Company	RMB	365,500,000.00	Credit borrowing
Credit borrowing of Shenchang Company	RMB	72,292,000.00	Credit borrowing
Credit borrowing of Financial Leasing Company	RMB	35,000,000.00	Credit borrowing
Subtotal of credit borrowings		472,792,000.00	
Borrowing of Huangshi Bioland	RMB	44,166,800.00	Guaranteed by Bioland Company and pledged by the expected revenue right paid by the government, the receivables formed by the future operating income of Huangshi Bioland and the equity of Huangshi Bioland
Borrowing of Longyou Bioland	RMB	11,500,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Longyou Bioland during the franchising period
Borrowing of Fuzhou Bioland	RMB	60,000,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Fuzhou Bioland
Borrowings of Beihai Zhonglan Environment Technology Co., Ltd. ("Beihai Zhonglan")	RMB	60,000,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Beihai Zhonglan
Borrowing of Zhuji Bioland	RMB	31,634,270.00	Guaranteed by Bioland Company and pledged by the franchise rights of Zhuji Project
Guilin Bioland	RMB	90,000,000.00	Guaranteed by Bioland Company and pledged by the franchise rights of Guilin Project
Sub-total of guaranteed and pledged borrowings		297,301,070.00	
Borrowing of Qiantai Company	RMB	100,000,000.00	Mortgaged and guaranteed by the land use right of Qiantai Company
Sub-total of mortgage borrowings		100,000,000.00	
Borrowing of Guangxi Bioland	RMB	39,200,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guangxi Bioland, and pledged with the equity of Guangxi Bioland
Borrowing of Guiyang Beier Bioland	RMB	37,500,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guiyang Beier Bioland, and pledged with the equity and franchise rights of Guiyang Beier Bioland
Sub-total of guaranteed, mortgage and pledged borrowings		76,700,000.00	
Accrued interest	RMB	10,286,704.73	
Less: Long-term borrowings due within one year (Note V, 32)	RMB	988,980,478.83	
Long-term borrowings due after one year		9,573,248,109.29	

As at 31 December 2022, the interest rate of long-term borrowings ranges from 2.05% to 5.92% (31 December 2021: 2.05% to 5.88%).

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For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable

(1) Classification of bonds payable:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Long-term corporate bonds	8,112,338,776.38	7,204,853,934.79
Medium-term notes	814,567,547.33	813,842,102.00
Total	8,926,906,323.71	8,018,696,036.79
Less: Bonds payable due within one year (Note V, 32)	3,157,388,893.09	931,832,323.62
Bonds payable due after one year	5,769,517,430.62	7,086,863,713.17

(2) Changes in bonds payable:

RMB

Name of bonds	Par value	Date of issuance	Maturity	Amount	1 January 2022 (Restated)	Issue amount in the current year	Accrual of interest by par value	Discount and issue fee amortization	Effects of foreign currency translation	Payment amount in the current year	31 December 2022
Long-term corporate bonds (Note 1)	800,000,000.00	31 July 2007	15 years	800,000,000.00	817,943,578.51	-	-	389,756.49	-	818,333,335.00	-
Long-term corporate bonds (Note 1)	USD300,000,000.00	8 July 2021	5 years	USD300,000,000.00	1,913,163,209.96	-	35,904,683.38	3,404,033.14	176,670,000.02	34,403,896.58	2,094,738,029.92
Long-term corporate bonds (Note 1)	1,400,000,000.00	18 March 2020	5 years	1,400,000,000.00	1,431,337,911.80	-	42,699,999.96	559,713.56	-	42,700,000.00	1,431,897,625.32
Long-term corporate bonds (Note 1)	800,000,000.00	20 October 2020	5 years	800,000,000.00	803,957,684.04	-	29,199,999.96	414,237.13	-	29,200,000.00	804,371,921.13
Long-term corporate bonds (Note 1)	1,200,000,000.00	15 April 2021	5 years	1,200,000,000.00	1,226,730,194.27	-	41,898,867.96	539,315.93	-	41,880,000.00	1,227,288,378.16
Long-term corporate bonds (Note 1)	1,000,000,000.00	23 July 2021	5 years	1,000,000,000.00	1,011,721,356.21	-	33,506,373.67	678,024.08	-	33,500,000.00	1,012,405,753.96
Long-term corporate bonds (Note 1)	1,500,000,000.00	20 January 2022	7 years	1,500,000,000.00	-	1,500,000,000.00	45,184,631.25	(3,547,563.36)	-	-	1,541,637,067.89
Medium-term notes (Note 2)	800,000,000.00	13 August 2018	5 years	800,000,000.00	813,842,102.00	-	35,935,950.11	711,225.14	-	35,921,729.92	814,567,547.33
Total					8,018,696,036.79	1,500,000,000.00	264,330,506.29	3,148,742.11	176,670,000.02	1,035,938,961.50	8,926,906,323.71

Note 1: Corporate bonds

The Company issued a corporate bond on 31 July 2007 with a principal amount of RMB800,000,000.00 bearing an interest rate of 5.5% per annum in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 Document issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank and are in turn secured by the Company's 100% equity interest in Meiguan.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**35. Bonds payable (Continued)****(2) Changes in bonds payable (Continued)**

Note 1: Corporate bonds (Continued)

The Company issued a long-term bond in July 2021 with a principal value of USD300,000,000.00. The bond issuance price was 99.13% of the principal value, bearing a term of 5 years and interest at a rate of 1.75% per annum in accordance with the approval of Fa Gai Ban Wai Zi Bei [2021] No. 287 Document issued by the National Development & Reform Commission. Interest has begun to be accrued from 8 July 2021 and is repaid semi-annually. On 8 July 2026, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the USD bonds due on 18 July 2021.

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB5 billion to QFII upon approval of the Zheng Jian Xu Ke [2019] No. 2262 Document issued by the CSRC. On 18 March 2020, the Company completed the issuance of the first phase of 2020 corporate bonds, and the actual issuance scale was RMB1,400,000,000.00. The bond was issued at the rate of 3.05%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 20 March 2020 to 19 March 2025; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 20 March 2020 to 19 March 2023. On 20 January 2022, the Company completed the issuance of 2022 corporate bonds (first phase), and the actual issuance scale was RMB1,500,000,000.00. The bond was issued at the rate of 3.18%, and the term of the bond is 5+2 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. The value date is 20 January 2022, and the interest payment date is 20 January of each year from 2023 to 2029. If the investor exercises the option to sell back, the interest payment date for the portion of the bond it sells back is 20 January of each year from 2023 to 2027.

The Company was permitted to publicly issue Green corporate bonds with a face value of not more than RMB2 billion to professional investor upon approval of the Document "Securities Regulatory Commission Permit [2020] 1003" issued by the CSRC and Shanghai Stock Exchange. On 20 October 2020, the Company completed the public issuance of the first phase of 2020 Green corporate bonds, and the actual issuance scale was RMB800,000,000.00. The bond was issued at the rate of 3.65%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 22 October 2020 to 21 October 2025; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 22 October 2020 to 21 October 2023.

On 15 April 2021, the Company completed the public issuance of the first phase of 2021 Green corporate bonds, and the actual issuance scale was RMB1,200,000,000.00. The bond was issued at the rate of 3.49%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest-bearing term is from 19 April 2021 to 18 April 2026; if the investor exercises the option to sell back, the interest-bearing maturity of the portion of the bond it sells back is from 19 April 2021 to 18 April 2024.

On 23 July 2021, the Company completed the public issuance of the first phase of 2021 corporate bonds, and the actual issuance scale was RMB1,000,000,000.00. The bond was issued at the rate of 3.35%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, and the interest-bearing term is from 27 July 2021 to 26 July 2026.

Note 2: Medium-term notes

On 13 August 2018, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

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For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Lease liabilities

RMB

Item	31 December 2022	31 December 2021 (Restated)
Lease liabilities	101,256,379.57	388,983,550.66
Less: Lease liabilities included in non-current liabilities due within one year (Note V, 32)	53,517,680.22	62,027,445.34
Net amount	47,738,699.35	326,956,105.32

37. Long-term payables

(1) Presentation of long-term payables by nature:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Borrowings from associates and joint ventures (Note 1)	944,646,715.85	2,131,451,615.06
Borrowings from Shenzhen Investment Holdings International Capital Holding Company Limited ("Shenzhen Investment Holdings International") (Note 2)	2,105,041,763.41	4,590,145,473.76
Financial liabilities arising from sale and leaseback transactions (Note 3)	279,029,169.22	435,554,841.34
Total	3,328,717,648.48	7,157,151,930.16
Less: Long-term payables due within one year (Note V, 32)	2,180,436,285.12	2,764,079,432.18
Long-term payables due after one year	1,148,281,363.36	4,393,072,497.98

Note 1: It represents the borrowings from United Land Company. As at 31 December 2022, the balance of the borrowings was RMB944,646,715.85, refer to Note X, 5(4).

Note 2: It represents the borrowings borrowed by SIHICH from Shenzhen Investment Holdings International with a term from 27 September 2018 to 26 September 2023. As at 31 December 2022, the principal and interest of the borrowings totaled RMB2,105,041,763.41. In 2022, the interest was calculated at a rate of 2.85% per annum.

Note 3: As at 31 December 2022, the balance arising from sale and leaseback transactions represents the long-term payables arising from the sale and leaseback of the equipment of Zhuji Bioland, Guilin Bioland, Guangxi Bioland, Dezhou Bioland, Taizhou Bioland, Handan Bioland, Shangrao Bioland, and Xinyu Bioland, which are subsidiaries of Bioland, with franchise rights of kitchen waste disposal of Bioland Environment, 100% equity rights of Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Guilin Bioland and Xinyu Bioland, 90% equity rights of Handan Bioland and Zhuji Bioland, franchise rights of Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Handan Bioland, Guilin Bioland and Zhuji Bioland, as well as the land use right of Langfang Waterland as mortgage. The balance of the interest expense arising from the amortization of unrecognized financing expenses in the current year was RMB30,084,815.20. The financial leasing fee of RMB3,333,600.00 was paid, the principal of RMB182,547,264.92 was repaid and the interest of RMB33,794,006.53 was paid. As at 31 December 2022, the balance of this payment was RMB279,029,169.22.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**38. Long-term employee benefits payable***RMB*

Item	31 December 2022	31 December 2021 (Restated)
Other long-term employee benefits (Note)	115,716,411.45	187,966,149.45

Note: Other long-term employee benefits are the Group's long-term incentive bonuses, which are expected to be paid in subsequent years.

39. Provisions*RMB*

Item	31 December 2022	31 December 2021 (Restated)
Cost of services in the future (Note 1)	146,394,830.60	139,556,559.19
Subsequent expenditure for kitchen waste disposal project (Note 2)	39,071,788.53	24,721,861.61
Product warranty	1,864,193.03	9,263,680.25
Total	187,330,812.16	173,542,101.05

Note 1: The estimated cost of services of toll roads in the future accrued by the Group according to relevant government documents.

Note 2: It represents the expenditure expected to be incurred by the Group to maintain a certain service capacity of the kitchen waste disposal assets it holds or to maintain a certain state of use of these assets before they are handed over to the contract grantor.

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred revenue

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022	Reason
Compensation for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway	241,584,931.35	–	29,880,000.00	211,704,931.35	Compensation from Shenzhen government for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway
Compensation for future cost of services of new stations on the free section of Longda Expressway	169,895,702.06	–	23,979,721.80	145,915,980.26	The Shenzhen Municipal Transportation Commission's cash compensation for the early recovery of rights and interests in the Shenzhen section of Longda Expressway
Compensation for cost of services regarding the new ramp on the free section of Meiguan Expressway	68,672,061.88	–	13,080,392.64	55,591,669.24	Compensation from Shenzhen government for future cost of services regarding the new ramp on the free section of Meiguan Expressway
Central subsidy funds for cancellation of the expressway provincial toll station project	37,381,469.28	–	7,129,398.11	30,252,071.17	The Ministry of Transport's cash subsidies for cancellation of the expressway provincial toll station project regarding the toll roads of the Company
Government economic grants for Bioland Company	25,374,133.93	–	3,245,878.08	22,128,255.85	Government grants for equipment received by Bioland Company
Government compensation for demolition	10,987,955.58	–	2,746,988.88	8,240,966.70	Government compensation for demolition received by Qinglong Company
Government financial grants for Guizhou Guishen Investment Development Company Limited ("Guishen Company") and Guizhou Land	2,383,662.02	–	1,874,814.54	508,847.48	Government financial grants received by Guishen Company and Guizhou Land
Research and development and application demonstration of green recycling technology for waste ternary lithium-ion batteries of Qiantai Company	1,200,000.00	600,000.00	1,800,000.00	–	TUSGC cooperation funds received for the research and development and application demonstration of green recycling technology of waste ternary lithium-ion batteries
Government grants for Lisai Environmental Protection project	–	285,000.00	285,000.00	–	Government grants for equipment received by Lisai Environmental Protection
Total	557,479,916.10	885,000.00	84,022,194.05	474,342,722.05	

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**40. Deferred revenue (Continued)**

Items involving government grants:

RMB

Item	1 January 2022 (Restated)	Additional grants in the current year	Recognized in other income/ non-operating income in the current year	31 December 2022	Related to asset/income
Central subsidy funds for cancellation of the expressway provincial toll station project	37,381,469.28	–	7,129,398.11	30,252,071.17	Related to asset
Government economic grants for Bioland Company	25,374,133.93	–	3,245,878.08	22,128,255.85	Related to asset
Government financial grants for Guishen Company and Guizhou Land	2,383,662.02	–	1,874,814.54	508,847.48	Related to asset
Research and development and application demonstration of green recycling technology for waste ternary lithium-ion batteries of Qiantai Company	1,200,000.00	600,000.00	1,800,000.00	–	Related to asset
Government grants for Lisai Environmental Protection project	–	285,000.00	285,000.00	–	Related to asset
Total	66,339,265.23	885,000.00	14,335,090.73	52,889,174.50	

41. Equity

RMB

Item	1 January 2022 (Restated)	Movement					31 December 2022
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Equity	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

42. Other equity instruments

As at 31 December 2022, the specific situation of the Group's outstanding perpetual bonds is as follows:

RMB

Item	Issue date	Accounting classification	Interest rate	Amount	Expiry day or renewal situation	Transfer conditions	General information of transfer
Perpetual bonds	4 December 2020	Other equity instruments	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Capital reserve

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
Share premium	8,576,477,691.36	9,063,939.26	4,496,754,034.33	4,088,787,596.29
Including: Contributions from investors	2,274,351,523.42	2,738,738.90	832,579,301.08 (Note 1)	1,444,510,961.24
Business combination involving entities under common control	5,502,861,855.76	-	2,742,974,733.25 (Note 2)	2,759,887,122.51
Acquisition of minority interests in subsidiaries	(120,924,166.49)	6,325,200.36	-	(114,598,966.13)
Capital injection in the investee	920,188,478.67	-	921,200,000.00 (Note 3)	(1,011,521.33)
Other capital reserve (Note 4)	287,679,720.15	14,131,819.16	-	301,811,539.31
Total	8,864,157,411.51	23,195,758.42	4,496,754,034.33	4,390,599,135.60

Note 1: Refer to Note VII, 1(1) "Composition of the Group".

Note 2: It is due to the merger of SIHICH through business combination involving entities under common control.

Note 3: It represents the capital reduction by United Land Company, the Company's associate, after transferring the capital reserve resulting from the capital increase by new shareholders in 2018 to equity, whereby the Company carried forward the capital reserve recognized at that time to investment income in the current year.

Note 4: The capital reserve was increased by RMB14,131,819.16 based on the shareholding ratio as a result of the changes in capital reserve of the associates and joint ventures held by the Group during the year.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Other comprehensive income

RMB

Item	Amount incurred in the current year						31 December 2022
	1 January 2022 (Restated)	Pre-tax amount incurred during the year	Less: Amount included in other comprehensive income in the previous period and transferred to profit or loss in the current year	Less: Income tax expense	Amount attributable to owners of the parent company, net of tax	Amount attributable to minority shareholders, net of tax	
I. Other comprehensive income that may not be reclassified to profit or loss	-	-	-	-	-	-	-
Including: Changes from remeasurement of defined benefit plans	-	-	-	-	-	-	-
II. Other comprehensive income that may be reclassified to profit or loss	426,519,781.12	(887,241,272.68)	-	-	(834,531,987.17)	(52,709,285.51)	(408,012,206.05)
Including: Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	-	-	-	893,132,218.74
- Other comprehensive income that will be reclassified to profit or loss under the equity method (Note V,13)	(22,853,777.76)	(23,265,119.18)	-	-	(23,265,119.18)	-	(46,118,896.94)
- Translation differences of financial statements denominated in foreign currencies	(444,164,839.86)	(863,976,153.50)	-	-	(811,266,867.99)	(52,709,285.51)	(1,255,431,707.85)
Others	406,180.00	-	-	-	-	-	406,180.00
Total other comprehensive income	426,519,781.12	(887,241,272.68)	-	-	(834,531,987.17)	(52,709,285.51)	(408,012,206.05)

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Surplus reserve

RMB

Item	1 January 2022 (Restated)	Additions in the current year	Reductions in the current year	31 December 2022
Statutory surplus reserve	2,478,208,142.63	172,052,187.30	–	2,650,260,329.93
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,931,599,472.69	172,052,187.30	–	3,103,651,659.99

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, the Company should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company has appropriated statutory surplus reserve of RMB172,052,187.30 for the year (2021: Nil).

The amount of the Company's discretionary surplus reserve was proposed by the Board of Directors and has been approved by the Annual General Meeting. The discretionary surplus reserve can be used to make up for previous years' loss or increase upon approval. The Company has not appropriated any discretionary surplus reserve for the current year (2021: Nil).

46. Undistributed profits

RMB

Item	2022	2021 (Restated)
Balance of undistributed profits at the end of the last year before adjustment	8,540,070,494.76	7,278,102,534.06
Total opening balance of undistributed profits adjusted	(1,382,527,533.43)	(970,425,075.84)
Opening balance of undistributed profits after adjustment	7,157,542,961.33	6,307,677,458.22
Add: Net profit attributable to shareholders of the parent company in the current year	2,014,112,457.01	2,613,119,318.24
Less: Appropriation for statutory surplus reserve	172,052,187.30	–
Ordinary share dividend payable (Note)	1,352,077,602.12	1,356,698,259.58
Dividends paid to other equity instruments	186,555,555.55	186,555,555.55
Effects of absorption and merger under common control	–	220,000,000.00
Effects of business combination involving enterprises under common control	(634,456,517.39)	–
Effects of acquisition of equity from minority shareholders	16,147,788.22	–
Closing balance of undistributed profits	8,079,278,802.54	7,157,542,961.33

Note: According to the resolution of the annual shareholders' meeting on 30 June 2022, the Company distributes 2021 cash dividends to all shareholders at RMB0.62 per share. Based on the 2,180,770,326 shares issued, a total of RMB1,352,077,602.12 cash dividends are distributed, of which a cash dividend of RMB888,627,602.12 is distributed for 1,433,270,326 A shares issued, and a cash dividend of HKD546,070,460.70 (equivalent to RMB463,450,000.00) is distributed for 747,500,000 H shares issued. The dividends account for 51.74% of the Group's net profit available for distribution to ordinary shareholders in 2021. As at 31 December 2022, the above dividend has been paid.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**47. Operating income and costs****(1) Details of operating income and costs**

RMB

Item	For the year ended 31 December 2022		For the year ended 31 December 2021 (Restated)	
	Revenue	Cost	Revenue	Cost
Main business – Toll road	4,978,341,345.68	2,800,083,416.38	5,892,735,954.13	3,001,628,000.00
Main business – Environmental protection	1,757,219,821.16	1,288,946,396.95	1,811,154,438.40	1,349,925,516.49
– Sales related to wind turbine equipment	116,313,086.15	107,845,843.75	132,532,269.61	112,115,119.80
– Wind power	691,632,965.90	269,388,623.13	580,459,083.48	231,250,464.15
– Construction of kitchen waste disposal projects	56,824,373.47	75,731,347.28	539,082,427.01	467,935,062.08
– Operation of kitchen waste disposal projects	474,562,756.65	420,138,146.62	316,649,829.85	321,164,519.28
– Sales of kitchen waste disposal equipment	22,968,999.31	37,897,089.30	8,823,221.51	11,480,414.59
– Others	394,917,639.68	377,945,346.87	233,607,606.94	205,979,936.59
Other services	2,637,021,379.75	2,264,566,448.63	3,185,690,225.35	2,753,673,590.95
– Entrusted construction and management services	887,795,704.26	690,320,224.59	1,033,628,635.86	820,233,584.05
– Construction service under franchise arrangements	1,256,226,886.98	1,256,226,886.98	1,540,000,363.08	1,540,000,363.08
– Financial leasing	94,278,147.14	35,408,623.71	65,851,635.35	51,426,186.08
– Real estate development	164,812,097.30	119,695,332.54	302,722,024.15	142,367,525.02
– Advertising	21,441,556.61	14,742,487.48	19,283,655.97	19,243,550.56
– Others	212,466,987.46	148,172,893.33	224,203,910.94	180,402,382.16
Total	9,372,582,546.59	6,353,596,261.96	10,889,580,617.88	7,105,227,107.44

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (Continued)

(2) Breakdown of operating income

Year 2022

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	3,991,705,713.53	483,552,370.78	409,774,284.57	94,278,147.14	1,062,239,762.45	216,460,511.91	6,258,010,790.38
Hunan Province	624,366,395.40	-	-	-	-	5,359,681.34	629,726,076.74
Guizhou Province	-	99,388,028.97	478,021,419.69	-	8,611,308.30	164,977,749.18	750,998,506.14
Hubei Province	362,269,236.75	17,647,938.92	-	-	-	-	379,917,175.67
Jiangsu Province	-	132,243,261.43	-	-	-	11,742,080.78	143,985,342.21
Inner Mongolia Autonomous Region	-	255,039,922.30	-	-	12,342,227.16	180,618.16	267,562,767.62
Guangxi Zhuang Autonomous Region	-	133,438,139.94	-	-	83,520,040.47	-	216,958,180.41
Shandong Province	-	58,988,554.90	-	-	-	-	58,988,554.90
Zhejiang Province	-	23,612,818.89	-	-	-	-	23,612,818.89
Sichuan Province	-	24,938,431.42	-	-	67,526,440.66	-	92,464,872.08
Jiangxi Province	-	65,599,986.85	-	-	-	-	65,599,986.85
Hebei Province	-	13,305,401.40	-	-	-	-	13,305,401.40
Xinjiang Uygur Autonomous Region	-	346,488,244.94	-	-	-	-	346,488,244.94
Henan Province	-	42,201,461.95	-	-	-	-	42,201,461.95
Ningxia Hui Autonomous Region	-	50,722,284.58	-	-	-	-	50,722,284.58
Anhui Province	10,052,973.89	-	-	-	21,987,107.94	-	32,040,081.83
Total	4,978,341,345.68	1,757,219,821.16	887,795,704.26	94,278,147.14	1,256,226,886.98	398,720,641.37	9,372,582,546.59

Main service categories	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	4,978,341,345.68	1,700,395,447.69	-	-	-	243,085,654.84	6,921,822,448.21
Revenue recognized over time	-	56,824,373.47	887,795,704.26	-	1,256,226,886.98	134,193,429.92	2,335,040,394.63
Total	4,978,341,345.68	1,757,219,821.16	887,795,704.26	-	1,256,226,886.98	377,279,084.76	9,256,862,842.84

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**47. Operating income and costs (Continued)****(2) Breakdown of operating income (Continued)**

Year 2021 (Restated)

RMB

Reporting segment	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	4,649,867,140.98	126,651,549.29	415,469,866.01	65,851,635.35	1,190,281,944.76	123,197,049.99	6,571,319,186.38
Hunan Province	764,218,847.64	-	-	-	-	4,988,142.37	769,206,990.01
Guizhou Province	-	181,867,192.49	618,158,769.85	-	29,813,893.73	303,224,529.74	1,133,064,385.81
Hubei Province	478,649,965.51	15,469,151.67	-	-	-	-	494,119,117.18
Jiangsu Province	-	207,999,017.84	-	-	29,798,601.90	111,900,321.74	349,697,941.48
Inner Mongolia Autonomous Region	-	321,729,752.36	-	-	35,561,583.97	1,037,735.89	358,329,072.22
Beijing	-	-	-	-	-	-	-
Guangxi Zhuang Autonomous Region	-	320,104,329.00	-	-	119,178,167.95	-	439,282,496.95
Shandong Province	-	116,413,568.20	-	-	-	-	116,413,568.20
Zhejiang Province	-	24,392,822.66	-	-	73,992,746.27	-	98,385,568.93
Sichuan Province	-	22,685,455.55	-	-	14,646,446.74	-	37,331,902.29
Jiangxi Province	-	139,204,284.12	-	-	35,608,750.51	-	174,813,034.63
Hebei Province	-	3,436,569.83	-	-	4,446,310.57	-	7,882,880.40
Xinjiang Uygur Autonomous Region	-	309,005,790.73	-	-	-	1,861,811.33	310,867,602.06
Henan Province	-	13,360,347.44	-	-	-	-	13,360,347.44
Ningxia Hui Autonomous Region	-	1,817,685.01	-	-	-	-	1,817,685.01
Anhui Province	-	7,016,922.21	-	-	6,671,916.68	-	13,688,838.89
Total	5,892,735,954.13	1,811,154,438.40	1,033,628,635.86	65,851,635.35	1,540,000,363.08	546,209,591.06	10,889,580,617.88

Main service categories	Toll road	Environmental protection	Entrusted construction and management services	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	5,892,735,954.13	1,263,248,789.88	-	-	-	382,029,881.90	7,538,014,625.91
Revenue recognized over time	-	547,905,648.52	1,033,628,635.86	-	1,540,000,363.08	144,896,053.19	3,266,430,700.65
Total	5,892,735,954.13	1,811,154,438.40	1,033,628,635.86	-	1,540,000,363.08	526,925,935.09	10,804,445,326.56

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (Continued)

(3) Description of performance obligations

The main businesses of the Group are toll highways, environmental protection, etc., please refer to Note III, 26.

There is no major financing component in the revenue contract of the Group.

(4) Explanation of allocation to remaining performance obligations

At the end of the year, the contract liabilities corresponding to the performance obligations that the Group has signed but not yet fulfilled or not completely fulfilled are RMB30,333,016.72, and the revenue will be recognized when the customer obtains control of the product.

48. Taxes and surcharges

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
City maintenance and construction tax	11,796,699.39	17,337,748.43
Educational surcharge	9,130,624.07	12,923,176.38
Property tax	7,908,790.96	8,948,818.59
Land appreciation tax	3,904,865.45	26,197,956.16
Land use tax	3,875,314.99	4,838,961.70
Stamp tax	3,022,030.56	7,308,448.56
Others	804,070.29	785,493.49
Total	40,442,395.71	78,340,603.31

49. Selling expenses

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Salaries and wages	23,547,867.34	30,752,085.86
Advertising expenses and business promotion expenses	4,265,619.98	8,597,562.32
Low-value consumables	2,074,187.54	7,488,081.30
Travel fees	2,018,173.12	6,612,286.85
Depreciation and amortization	782,850.92	785,663.77
Business entertainment	399,255.21	1,863,602.59
Others	2,487,507.27	3,601,195.98
Total	35,575,461.38	59,700,478.67

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**50. General and administrative expenses**

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Salaries and wages	227,545,001.54	398,135,311.82
Depreciation and amortization	109,663,514.25	52,979,341.65
Legal and advisory fees	36,161,698.21	42,132,057.53
Audit fees	13,383,978.38	8,609,406.99
Office and communication charges	7,808,493.10	9,045,514.86
Rents	7,176,686.70	10,531,929.89
Office building management fees	7,045,488.98	5,662,883.18
Stock exchange fees	6,363,352.28	5,712,853.77
Business entertainment fees	5,218,442.89	7,078,225.96
Travel fees	3,778,271.08	8,635,189.60
Vehicle fees	1,519,638.33	1,897,023.80
Others	18,054,309.55	21,434,548.63
Total	443,718,875.29	571,854,287.68

51. Research and development expenses

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Labor cost	25,107,407.13	28,842,278.32
Depreciation and amortization	8,314,618.32	9,232,976.77
Direct consumables	6,042,787.93	7,706,742.62
Technical service fee	5,259,101.59	8,493,335.14
Others	1,753,322.80	6,296,753.43
Total	46,477,237.77	60,572,086.28

The research and development expenses include costs of materials and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D expenses in the current year mainly include the expenses on research and development of wind turbines for Nanjing Wind Power Company, those on research and development of various environmental protection device systems and process technologies of Bioland Company, and those on research and development of green recycling technology for waste batteries of Qiantai Company.

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Financial expenses

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Interest expenses	1,213,880,879.04	1,168,043,462.19
Including: Interest expenses on borrowings	761,101,929.87	645,618,530.08
Interest expenses on bonds payable	341,829,740.19	275,277,843.71
Interest expenses on long-term payables	31,522,173.92	169,339,999.56
Unrecognized financing expenses of compensation for newly-built toll station of Longda Expressway and Three Expressways	30,693,607.08	34,339,814.65
Interest expenses on lease liabilities (Note XIII. 2(2))	26,214,597.79	29,285,937.61
Interest expenses on provisions	15,143,130.87	11,182,045.34
Interest expenses on notes discounted	5,451,241.84	1,266,546.85
Interest expenses on house payment received in advance	1,924,457.48	1,732,744.39
Less: Interest income	130,089,462.79	179,258,723.62
Less: Interest capitalized	28,808,232.04	28,082,279.47
Including: Interest expense capitalized	29,209,632.23	31,495,829.39
Interest income capitalized	401,400.19	3,413,549.92
Exchange losses (gains)	318,161,944.37	(66,501,178.07)
Others	13,526,289.72	14,917,433.49
Total	1,386,671,418.30	909,118,714.52

During the year 2022, the capitalization amount of the Group's borrowing costs included in inventories and intangible assets is set out in Note V,7 (3) and Note V, 19 (3).

Details of interest income are listed as follows:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Interest on deposits	74,225,527.21	137,050,153.44
Interest income on other non-current assets	38,973,416.58	37,152,923.33
Interest income on advances from shareholder	16,104,641.51	
Interest income on long-term receivables	785,877.49	5,055,646.85
Less: Interest income capitalized	401,400.19	3,413,549.92
Total	129,688,062.60	175,845,173.70

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**53. Other income**

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Government grants related to daily activities	20,815,406.73	38,219,128.11
Immediate refund of VAT levied and additional deduction of VAT	5,800,827.42	124,274.20
Others	5,333,788.58	4,108,652.22
Total	31,950,022.73	42,452,054.53

Government grants related to daily activities are as follows:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)	Related to asset/income
Central government subsidy for cancellation of provincial expressway toll station project (Note V, 40)	7,129,398.11	7,129,398.12	Related to asset
Government grants for Lisai Environmental Protection project (Note V, 40)	285,000.00	–	Related to asset
Government financial aid for Bioland Company (Note V, 40)	3,245,878.08	938,174.50	Related to asset
Research and development and application demonstration of green recycling technology for waste ternary lithium-ion batteries of Qiantai Company (Note V, 40)	1,800,000.00	–	Related to asset
Government subsidy for R&D	6,480,316.00	50,000.00	Related to income
Government financial grants for Guishen Company and Guizhou Land (Note V, 40)	1,874,814.54	101,555.49	Related to asset
Special bonus for headquarter economy development	–	30,000,000.00	Related to income
Total	20,815,406.73	38,219,128.11	

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Investment income

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Income from long-term equity investments under the equity method (Note V, 13)	582,687,782.25	1,052,742,072.19
Investment income from other non-current financial assets during the holding period	28,007,816.22	7,709,183.10
Investment income from disposal of long-term equity investments	921,200,000.00	25,337,086.30
Gains on delivery of foreign exchange swap contracts	–	(125,940,000.00)
Others	2,000,913.63	7,909,280.31
Total	1,533,896,512.10	967,757,621.90

Note: Gains or losses on disposal of long-term equity investments in the current year represent the gains or losses realized from the capital reduction to United Land Company, an associate of the Company, refer to Note V, 43 for details.

55. Gains from changes in fair value

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Financial assets (liabilities) measured at fair value through profit or loss	95,175,495.33	348,270,358.31
Including: Other non-current financial assets (Note V, 14)	24,418,156.18	51,955,187.72
Compensation for valuation adjustment mechanism (Note V, 2)	128,369,905.67	212,637,357.38
Derivative financial instruments	(57,612,566.52)	83,677,813.21
Total	95,175,495.33	348,270,358.31

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**56. Credit impairment gains (losses)**

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021
Impairment losses of accounts receivable	(61,740,491.04)	(43,317,334.99)
Impairment losses of long-term receivables	(16,071,082.84)	(6,251,713.64)
Impairment losses of other receivables	(4,253,230.23)	(2,690,742.90)
Impairment losses of non-current assets due within one year	(1,158,864.19)	132,811.89
Total	(83,223,668.30)	(52,126,979.64)

57. Gains (losses) on impairment of assets

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021
Losses on decline in value of inventories	(99,012,856.94)	(10,437,584.71)
Impairment losses of goodwill	(46,039,775.24)	(110,000,000.00)
Impairment losses of intangible assets	(19,050,197.20)	–
Impairment losses of contract assets	(13,651.38)	18,030,469.32
Impairment losses of right-of-use assets	–	(14,754,044.72)
Total	(164,116,480.76)	(117,161,160.11)

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Non-operating income

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)	Amount recognized in non-recurring profit or loss for the year
Government grants not related to daily activities	2,553,806.73	20,888,922.72	2,553,806.73
Others	22,215,009.96	29,804,502.89	22,215,009.76
Total	24,768,816.69	50,693,425.61	24,768,816.49

(1) Government grants not related to daily activities are as follows:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)	Related to asset/income
Government incentives	2,553,806.73	20,888,922.72	Related to income

59. Non-operating expenses

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)	Amount recognized in non-recurring profit or loss for the year
Losses on damage or retirement of non-current assets	14,760,041.44	878,322.27	14,760,041.44
Donation	312,335.30	500,000.00	312,335.30
Others	12,251,584.38	3,562,055.28	12,251,584.38
Total	27,323,961.12	4,940,377.55	27,323,961.12

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Income tax expenses

(1) Classification of income tax expenses

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Current tax expense	529,626,485.34	606,554,991.41
Deferred tax expense	2,043,069.71	(55,405,957.26)
Total	531,669,555.05	551,149,034.15

(2) Reconciliation of income tax expenses to the accounting profit is as follows:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Profit before tax	2,484,525,047.12	3,357,103,641.93
Income tax expenses calculated at the statutory/ applicable tax rate	621,131,261.78	839,275,910.48
Effect of different tax rates applicable to certain subsidiaries	53,478,663.75	(34,782,162.40)
Effect of income not subject to tax	(271,059,644.66)	(257,933,131.41)
Effect of deductible temporary differences or deductible losses for which deferred tax assets not recognized in the year	140,776,288.67	68,694,979.22
Effect of adjusting income tax of the previous year	1,745,835.86	(59,239,674.31)
Effect of cost, expenses and losses not deductible	1,360,567.13	3,630,563.09
Effect of recognizing previously unrecognized deductible losses and deductible temporary differences	(15,763,417.48)	(8,497,450.52)
Income tax expenses	531,669,555.05	551,149,034.15

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Items in the statement of cash flows

(1) Other cash received relating to operating activities

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Funds temporarily received	86,900,756.82	58,167,062.63
Security deposit received	67,302,144.44	103,110,988.95
Project advances received	31,733,600.00	13,653,035.51
Interest income	29,112,979.63	40,936,291.51
Project compensation received	6,866,476.64	10,776,506.07
Government grants received	11,025,614.36	72,247,622.72
Funds received from minority shareholders of subsidiaries	–	22,932,700.00
Others	73,623,892.03	64,239,397.84
Total	306,565,463.92	386,063,605.23

(2) Other cash payments relating to operating activities

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Project funds paid	120,300,234.01	178,470,802.21
Withholding payments paid	70,156,810.39	39,345,408.87
Intermediary service fee	73,486,239.15	23,961,601.54
Security deposit paid	28,534,837.46	50,544,695.91
Others	196,085,833.86	279,866,598.26
Total	488,563,954.87	572,189,106.79

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**61. Items in the statement of cash flows (Continued)****(3) Other cash received relating to investing activities***RMB*

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Interest income	99,802,499.04	122,749,849.34
Recovery of advances from shareholder	52,920,000.00	–
Equity refunds received	32,383,800.00	–
Capital increase fund and interest refunded by Vanho Securities Co., Ltd.	–	953,233,904.11
Others	467,751.95	4,160,377.88
Total	185,574,050.99	1,080,144,131.33

(4) Other cash payments relating to investing activities*RMB*

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Payment of related party borrowings	–	602,865,167.94
Project earnest money paid	–	8,345,000.00
Others	634,617.04	85,881.19
Total	634,617.04	611,296,049.13

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Items in the statement of cash flows (Continued)

(5) Other cash received relating to financing activities

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Refundable finance lease deposits received	12,000,000.00	13,543,000.00
Borrowings received from shareholders of United Land Company	–	367,248,057.86
Finance lease payment received	20,000,000.00	149,924,726.58
Others	136,606.04	110,554.61
Total	32,136,606.04	530,826,339.05

(6) Other cash payments relating to financing activities

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Repayment of principal and interest on lease liabilities	345,688,211.22	34,672,623.11
Payment of principal and interest on sale and leaseback financing	248,693,824.31	157,856,474.31
Payment of acquisition of equity from minority shareholders	74,222,613.03	–
Repayment of capital contribution from minority shareholders	28,058,311.04	24,539,006.10
Brokerage fees for issuing bonds	7,127,645.26	21,759,330.48
Repayment for financial leasing equipment	–	1,354,300,000.00
Repayment of borrowings to original shareholders	–	231,569,672.88
Payment of withholding tax on interest of USD debt	–	7,189,265.57
Others	2,743,292.32	9,526,050.77
Total	706,533,897.18	1,841,412,423.22

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary information to the statement of cash flows

(1) Supplementary information to the statement of cash flows

RMB

Supplementary information	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	1,952,855,492.07	2,805,954,607.78
Add: Depreciation of fixed assets	482,138,003.74	423,321,406.17
Depreciation of right-of-use assets	53,201,992.21	40,469,275.16
Amortization of investment properties	1,453,496.29	575,833.32
Amortization of intangible assets	1,724,091,107.82	1,809,848,993.13
Amortization of long-term prepaid expenses	15,774,981.52	17,195,558.24
Losses (gains) on disposal of fixed assets, intangible assets, and other long-term assets	(7,297,414.27)	(17,391,358.90)
Losses on damage and retirement of non-current assets	14,760,041.44	878,322.27
Losses (gains) on change in fair value	(95,175,495.33)	(348,270,358.31)
Financial expenses	898,678,586.05	1,016,415,507.40
Investment loss (income)	(1,533,896,512.10)	(967,757,621.90)
Credit impairment loss	83,223,668.30	52,126,979.64
Assets impairment loss	164,116,480.76	117,161,160.11
Decrease (increase) in deferred tax assets	34,005,022.06	94,541,138.71
Increase (decrease) in deferred tax liabilities	(31,961,952.35)	(160,713,304.60)
Decrease (increase) in inventories	(74,454,954.67)	(127,337,244.32)
Decrease (increase) in operating receivables	247,068,318.49	(328,831,160.50)
Increase (decrease) in operating payables	(559,090,750.84)	(670,871,746.50)
Net cash flows from operating activities	3,369,490,111.19	3,757,315,986.90
2. Net changes in cash and cash equivalents:		
Closing balance of cash	3,197,002,667.41	5,456,959,403.09
Less: Opening balance of cash	5,456,959,403.09	3,814,845,816.13
Net (decrease) increase in cash and cash equivalents	(2,259,956,735.68)	1,642,113,586.96

(2) Major investing and financing activities that do not involve cash receipts and payments:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Offsetting related party borrowings with dividends due from associates and joint ventures	-	327,130,605.57
Reducing long-term payables with payment for capital reduction of United Land Company	1,131,900,000.00	-

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For the year ended 31 December 2022
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Supplementary information to the statement of cash flows (Continued)

(3) Net cash payments to acquire subsidiaries in the year

RMB

Item	Amount
Cash or cash equivalents paid in the current year for business combinations occurring in the current year	1,464,151,936.45
Including: SIHICH	1,428,670,893.95
Lisai Environmental Protection	35,481,042.50
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	7,304,076.17
Including: Lisai Environmental Protection	7,304,076.17
Add: Cash or cash equivalents paid in the current year for business combinations occurring in the prior year	83,530,222.02
Including: Bioland Company	83,530,222.02
Net cash payments for acquisitions of subsidiaries	1,540,378,082.30

Note: At the acquisition date, total cash at banks and on hand for acquisitions of Lisai Environmental Protection was RMB10,000,750.05, including cash and cash equivalents of RMB7,304,076.17.

(4) Composition of cash and cash equivalents

RMB

Item	31 December 2022	31 December 2021 (Restated)
I. Cash	3,197,002,667.41	5,456,959,403.09
Including: Cash on hand	9,205,134.25	7,993,396.61
Cash at banks that can be withdrawn on demand	3,187,797,533.16	5,448,966,006.48
II. Balance of cash and cash equivalents at the end of the year	3,197,002,667.41	5,456,959,403.09
Add: Restricted cash and cash equivalents held by the Company and subsidiaries of the Group (Note V,1)	438,629,991.31	460,685,084.65
Add: Interest on bank deposits	229,500.00	31,044,399.40
III. Cash at banks and on hand	3,635,862,158.72	5,948,688,887.14

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**63. Assets with ownership or use right restricted**

RMB

Item	31 December 2022	31 December 2021 (Restated)	Reason for restriction
Charging right of Qinglian Expressway	5,549,959,178.08	5,801,265,680.66	Pledge
Charging right of Shenzhen Section of Coastal Expressway	5,685,204,792.49	5,525,740,546.49	Pledge
Charging right of Outer Ring Expressway	5,260,258,467.14	5,501,546,332.03	Pledge
Charging right of Shuiguan Expressway	1,337,172,203.81	1,712,659,598.88	Pledge
The 100% equity in Meiguan Company	550,316,866.01	507,173,179.70	Pledge
The 45% equity in JEL Company	105,042,832.27	268,931,387.56	Pledge
The 100% equity in Qianxin Company	280,674,184.36	268,502,073.95	Pledge
The 100% equity in Qianzhi Company and Qianhui Company	951,192,963.25	823,997,027.51	Pledge
Cash at banks and on hand	438,629,991.31	460,685,084.65	Refer to Note V, 1
Land use right of Langfang Waterland Machinery Manufacturing Co., Ltd. ("Langfang Waterland")	101,439,576.70	21,743,984.85	Mortgage
Land use right of Qiantai Company	88,831,497.98	–	Mortgage
Equity, franchise rights or production equipment, etc. of kitchen waste disposal projects of certain subsidiaries of Bioland Company	1,864,888,397.97	2,191,329,328.24	Mortgage and pledge
Floors 37, 40–48 of Hanking Headquarters Building	–	1,122,754,109.75	Mortgage
Collection rights to accounts receivable of financing lease projects	623,394,734.34	487,434,149.44	Pledge
Collection rights to accounts receivable of Huangshi Bioland	10,216,309.44	3,777,056.89	Pledge
Collection rights to accounts receivable of Qiantai Company	70,392,218.85	–	Pledge
Collection rights to accounts receivable of BOT project of Lisai Environmental Protection	15,945,461.08	–	Pledge
Total	22,933,559,675.08	24,697,539,540.60	

Note: In addition to those mentioned above, the Group pledged with the charging rights to electric charge of Qianxin Company, Qianzhi Company, Qianhui Company, Yongcheng Zhuneng and Baotou Lingxiang, subsidiaries of the Company. Refer to Note V, 34 for details.

Notes to Financial Statements

For the year ended 31 December 2022
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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies:

Item	31 December 2022	Exchange rate	Equivalent to RMB
Cash at banks and on hand			
HKD	96,100,811.76	0.89	85,529,722.47
USD	1,134,824.57	6.96	7,903,599.16
EUR	12.00	7.42	89.07
FRF	11.70	7.54	88.26
ESP	446.00	0.05	20.88
JPY	380.00	0.05	19.91
Other receivables			
HKD	1,037,839.00	0.89	927,070.44
Short-term borrowings			
HKD	8,987,876,658.51	0.89	8,028,600,582.75
Transactional financial liabilities			
HKD	149,448,587.65	0.89	133,009,243.01
Employee benefits payable			
HKD	2,815,050.55	0.89	2,505,394.99
Other payables			
HKD	406,278.34	0.89	362,916.25
Non-current liabilities due within one year			
HKD	10,715,620.06	0.89	9,536,901.85
USD	4,775,183.76	6.96	33,257,244.81
Long-term borrowings			
USD	300,000,000.00	6.96	2,089,380,000.00
Bonds payable			
USD	300,968,107.75	6.96	2,094,738,029.92
Lease liabilities			
HKD	4,557,103.38	0.89	4,070,723.74

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Monetary items denominated in foreign currencies (Continued)

(2) Overseas operating entities

The significant overseas operating entities of the Group include Mei Wah Company, SIHICH and Bay Area Development, among which Mei Wah Company, an investment and financing company, originally chosen RMB as its functional currency. Due to the acquisition of 100% equity interest in SIHICH through an overseas loan in HKD during the year, Mei Wah Company indirectly holds 71.83% equity interest in Bay Area Development, a company listed in Hong Kong. Since then, the environment in which Mei Wah Company generates and expends cash has changed significantly, and in order to reflect the financial position of Mei Wah Company in an objective and accurate manner, Mei Wah Company has, since 1 July 2022, changed its functional currency from RMB to HKD. SIHICH is an investment company which chooses HKD as its functional currency, and its principal subsidiaries and joint ventures determine RMB as their functional currency on the basis of the primary economic environment in which they operate. Bay Area Development is an investment company whose investment entities have their principal operating activities in mainland China and choose RMB as their functional currency.

VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not involving entities under common control

(1) Business combination not involving entities under common control for the year

RMB

Name of acquiree	Equity acquisition date	Cost of acquisition	Shareholding percentage (%)	Acquisition method	Acquisition date	Basis for determination of acquisition date	Income of the acquiree from the date of acquisition to the end of the year	Net profit of the acquiree from the date of acquisition to the end of the year
Lisai Environmental Protection (Note)	20 April 2022	75,250,000.00	70.00	Acquisition of equity	20 April 2022	The control of the acquiree has been transferred	83,745,069.99	4,147,933.71

Note: On 27 February 2022, Environment Company, a subsidiary of the Company, entered into an agreement with Huang Hanjian and Xiao Ying, shareholders of Lisai Environmental Protection, to acquire 47.674% equity interests in Lisai Environmental Protection at RMB51,250,000.00, and to increase capital to Lisai Environmental Protection by RMB80,000,000.00 upon completion of the equity transfer. Upon the capital increase, Environment Company held 70% equity in Lisai Environmental Protection. On 20 April 2022, the equity transfer procedures were completed and, the Group appointed directors and supervisors in Lisai Environmental Protection, taken over their daily operating activities and controlled the financial and operation policies of Lisai Environmental Protection, enjoying corresponding benefits and bearing corresponding risks. Therefore, the Group included Lisai Environmental Protection in the scope of consolidated financial statements with effect from 20 April 2022.

Notes to Financial Statements

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(RMB)

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combination not involving entities under common control (Continued)

(2) Consolidation cost and goodwill

RMB

Item	Lisai Environmental Protection
Cash paid	75,250,000.00
Total cost of consolidation	75,250,000.00
Less: Fair value share of identifiable net assets acquired	75,250,000.00
Goodwill	–

(3) Identifiable assets and liabilities of the acquiree on the acquisition date

RMB

Item	Lisai Environmental Protection	
	Fair value on acquisition date	Carrying amount on acquisition date
Assets:	311,819,596.04	159,035,641.20
Cash at banks and on hand	10,000,750.05	10,000,750.05
Accounts receivable	17,957,661.90	17,957,661.90
Prepayments	38,000.00	38,000.00
Other receivables	4,780,432.51	4,780,432.51
Fixed assets	872,741.99	2,597,517.51
Construction in progress	–	3,978,274.93
Right-of-use assets	1,002,000.53	1,002,000.53
Intangible assets	270,986,320.30	112,499,315.01
Deferred tax assets	6,181,688.76	6,181,688.76
Liabilities:	204,319,596.04	198,921,811.00
Accounts payable	108,313,395.89	108,313,395.89
Employee benefits payable	5,388,952.32	5,388,952.32
Taxes payable	3,383,340.74	3,383,340.74
Other payables	29,283,774.05	29,283,774.05
Non-current liabilities due within one year	31,422,230.20	31,422,230.20
Lease liabilities	518,578.76	518,578.76
Deferred revenue	–	20,611,539.04
Deferred tax liabilities	26,009,324.08	–
Net assets	107,500,000.00	(39,886,169.80)
Less: Minority interests	32,250,000.00	(11,965,850.94)
Net assets acquired	75,250,000.00	(27,920,318.86)

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)**2. Business combination involving entities under common control****(1) Business combination involving entities under common control in the current year**

RMB

Name of acquiree	Percentage of equity acquired in a business combination	Basis for business combination under common control	Date of combination	Basis for determination of consolidation date	Income of the acquiree from the beginning of the period of consolidation to the date of consolidation	Net profit of the acquiree from the beginning of the period of consolidation to the date of consolidation	Income of the acquiree during the comparative period	Net profit of the acquiree during the comparative period
SIHICH	100.00%	It is 100% controlled by Shenzhen Investment Holdings Co., Ltd. ("Shenzhen Investment Holdings"), a wholly-owned subsidiary of Shenzhen State-owned Assets Supervision and Administration Commission, the de facto controller of the Company	11 January 2022	The control of the acquiree has been transferred	-	(4,489,534.28)	-	(254,710,765.13)

Note: On 10 August 2021, Mei Wah Company, a wholly-owned subsidiary of the Group, entered into a sales and purchase agreement with Shenzhen Investment Holdings International; and Shenzhen Investment Holdings, Shenzhen Investment Holdings International and the Group entered into a quadripartite agreement with Mei Wah Company, according to which Mei Wah Company acquires the 100% equity of SIHICH held by Shenzhen Investment Holdings International at the price of about HKD2.45 billion (equivalent to RMB2.013 billion) by way of private agreement transfer, undertakes the transaction tax, and assumes the obligation to pay the difference. On 11 January 2022, the equity transfer procedures were completed and, the Group appointed directors and supervisors in SIHICH, taken over their daily operating activities and controlled the financial and operation policies of SIHICH, enjoying corresponding benefits and bearing corresponding risks. Therefore, the Group included SIHICH in the scope of consolidated financial statements with effect from 11 January 2022.

Notes to Financial Statements

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(RMB)

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

2. Business combination involving entities under common control (Continued)

(2) Consolidation cost

RMB

Consolidation cost	SIHICH
– Cash	2,039,644,572.98
– Carrying amount of the obligation to pay the difference	68,873,642.88
Total	2,108,518,215.86

(3) Carrying amount of the assets and liabilities of acquiree at the date of consolidation

RMB

Item	SIHICH	
	11 January 2022	31 December 2021
Assets:	12,337,525,245.02	12,342,736,371.18
Cash at banks and on hand	1,745,401,914.70	1,751,917,360.42
Transactional financial assets	351,380,821.92	351,380,821.92
Prepayments	734,667.51	734,667.51
Other receivables	264,394,695.47	264,394,695.47
Long-term equity investments	9,745,921,971.01	9,744,548,276.04
Other non-current financial assets	20,100,000.00	20,100,000.00
Fixed assets	1,747,822.91	1,768,235.73
Right-of-use assets	4,950,220.30	4,999,182.89
Goodwill	202,893,131.20	202,893,131.20
Liabilities:	8,574,106,502.53	8,574,814,163.78
Short-term borrowings	882,352,941.18	882,352,941.18
Employee benefits payable	4,494,416.75	4,804,767.42
Taxes payable	4,616,754.29	10,369,901.30
Other payables	4,560,389,888.14	649,576,989.05
Non-current liabilities due within one year	21,374,311.26	2,106,792,184.45
Long-term borrowings	1,053,921,568.63	2,869,772,078.39
Lease liabilities	3,286,334.83	5,009,577.62
Deferred tax liabilities	130,976,847.45	130,745,839.61
Other non-current liabilities	1,912,693,440.00	1,915,389,884.76
Net assets	3,763,418,742.49	3,767,922,207.40
Net assets acquired	3,763,418,742.49	3,767,922,207.40

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

3. Changes in scope of consolidation for other reasons

(1) Subsidiaries newly established for the year

Shenzhen Expressway Group Digital Technology Co. Ltd. (“Expressway Digital Technology”) was established in Shenzhen, Guangdong Province on 11 March 2022 with a registered capital of RMB30,000,000.00, and the Group holds 51.00% of its equity. The Company’s scope of operation is Internet information services. This new subsidiary was included in the scope of consolidation during the current year.

Shaoyang Shengao Environmental Technology Co., Ltd. (“Shaoyang Shengao Environmental”) was established in Shaoyang City, Hunan Province on 21 December 2022 with a registered capital of RMB100,000,000.00 and Environment Company, the Company’s subsidiary, holds 100% of its equity. The Company’s scope of operation is kitchen waste disposal. This new subsidiary was included in the scope of consolidation during the current year.

(2) New subsidiaries obtained through asset acquisitions for the year (Continued)

In November 2022, the Group, through its subsidiary Shenzhen High Speed Engineering Development Co., Ltd., acquired 100% equity in Guangdong Qizhen Highway Engineering Co., Ltd. (“Guangdong Qizhen”). The Company’s scope of operation is highway engineering. This new subsidiary was included in the scope of consolidation during the current year.

In December 2022, the Group, through its subsidiary Shenzhen High Speed Engineering Development Co., Ltd., acquired 100% equity in Guangzhou Jingmao Construction Engineering Co., Ltd. (“Guangdong Jingmao”). The Company’s scope of operation is construction and engineering. This new subsidiary was included in the scope of consolidation during the current year.

(3) Cancellation of subsidiaries for the year

Hangzhou Zhishou Environmental Technology Co., Ltd., Hong Kong Bioland, Beijing Bioland Environmental Management Co., Ltd. and Tianjin Waterland Environmental Protection Equipment Manufacturing Co., Ltd., subsidiaries of the Group, have been cancelled, the taxation and business cancellation procedures of which were completed on 10 January 2022, 25 February 2022, 19 April 2022 and 21 April 2022 respectively.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group:

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Outer Ring Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	6,500,000,000.00	100.00	–	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Investment	400,000,000.00	100.00	–	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000.00	–	70.00	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	158,000,000.00	–	70.00	Incorporation
Shenzhen Expressway Property Management Company Limited ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen, Guangdong Province, PRC	Property management	1,000,000.00	–	100.00	Incorporation
Environment Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental projects and advisory	5,000,000,000.00	100.00	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	–	100.00	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd. ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	–	100.00	Business combinations under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	3,361,000,000.00	51.37	25.00	Business combinations not under common control
Shenzhen High Speed Advertising Limited Company ("Advertising Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Advertising agency	30,000,000.00	95.00	5.00	Business combinations not under common control
Meiguan Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	332,400,000.00	100.00	–	Business combinations not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	823,012,897.00	100.00	–	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	–	100.00	Business combinations not under common control
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	–	100.00	Business combinations not under common control
Shenzhen Expressway Operation Development Co., Ltd. ("Operation Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	30,000,000.00	100.00	–	Incorporation
Qinglong Company (Note 1)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	324,000,000.00	40.00	10.00	Business combinations not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	200,000,000.00	51.00	–	Business combinations not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	345,000,000.00	100.00	–	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Shenzhen Expressway Construction Development Company Limited ("Construction Development Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure construction	30,000,000.00	100.00	-	Incorporation
Infrastructure Environment Protection Development Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Infrastructure environment protection business	500,000,000.00	51.00	49.00	Incorporation
Shenzhen Express Private Equity Industry Investment Fund Management Co., Ltd. ("Fund Company")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Capital market services	19,607,800.00	51.00	-	Incorporation
Shenzhen Guangshen Coastal Expressway Investment Company Limited ("Coastal Company") (Note 2)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	5,714,285,714.00	49.00	51.00	Business combinations under common control
Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Comprehensive land development	1,000,000.00	-	70.00	Incorporation
Shenzhen Expressway Yijia Apartment Management Limited Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Apartment rents and management	10,000,000.00	-	60.00	Incorporation
Guizhou Yefengrui Land Limited Company ("Yefengrui Land")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Comprehensive land development	1,000,000.00	-	70.00	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental technology development & consultation	100,000,000.00	-	51.00	Incorporation
Nanjing Wind Power	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Manufacturing	357,142,900.00	-	51.00	Business combinations not under common control
Baotou Jinling Wind Power Technology Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Manufacturing	20,000,000.00	-	51.00	Business combinations not under common control
Xuanwei Nanfeng New Energy Co., Ltd.	Qujing City, Yunnan Province, PRC	Qujing City, Yunnan Province, PRC	Manufacturing	3,000,000.00	-	51.00	Business combinations not under common control
Qing'an County Nanfeng New Energy Technology Co., Ltd.	Suihua City, Heilongjiang Province, PRC	Suihua City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Tangyuan County Nanfeng Wind Power Co., Ltd.	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	10,000,000.00	-	51.00	Incorporation
Jiamusi County Nanfeng Yongfa Electric Power Technology Co., Ltd.	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	10,000,000.00	-	51.00	Incorporation
Shangzhi Nanfeng New Energy Technology Co., Ltd.	Shangzhi City, Heilongjiang Province, PRC	Shangzhi City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Baotou Nanfeng	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	632,800,000.00	0.95	99.05	Business combinations not under common control
Baotou Lingxiang	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	148,100,000.00	-	100.00	Business combinations not under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Damaoqi Nanchuan Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	128,200,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningyuan Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	179,000,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningxiang Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	129,500,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningfeng Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	126,000,000.00	-	100.00	Business combinations not under common control
Bioland Company (Note 3)	Beijing City, PRC	Zhengzhou City, Henan Province, PRC	Environment and facility services	234,933,000.00	-	92.29	Business combinations not under common control
Guangxi Bioland	Nanning City, Guangxi Zhuang Autonomous Region, PRC	Nanning City, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	123,000,000.00	-	100.00	Business combinations not under common control
Dezhou Bioland	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Kitchen waste disposal	50,000,000.00	-	100.00	Business combinations not under common control
Guiyang Beier Bioland	Guiyang City, Guizhou Province, PRC	Guiyang City, Guizhou Province, PRC	Kitchen waste disposal	43,000,000.00	-	100.00	Business combinations not under common control
Taizhou Bioland	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Kitchen waste disposal	68,000,000.00	-	100.00	Business combinations not under common control
Dezhou Zhonghe Environmental Protection Equipment Manufacturing Co., LTD	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Kunshan Beier Bioland Environmental Technology Co., Ltd.	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Kitchen waste disposal	25,000,000.00	-	95.00	Business combinations not under common control
Longyou Bioland	Quzhou City, Zhejiang Province, PRC	Quzhou City, Zhejiang Province, PRC	Kitchen waste disposal	10,500,000.00	-	100.00	Business combinations not under common control
Langfang Waterland	Langfang City, Hebei Province, PRC	Langfang City, Hebei Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Kunshan Bioland Environmental Technology Co., Ltd. ("Kunshan Bioland") (Note 4)	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Kitchen waste disposal	500,000.00	-	80.00	Business combinations not under common control
Shangrao Bioland	Shangrao City, Jiangxi Province, PRC	Shangrao City, Jiangxi Province, PRC	Kitchen waste disposal	25,000,000.00	-	100.00	Business combinations not under common control
Huangshi Bioland	Huangshi City, Hubei Province, PRC	Huangshi City, Hubei Province, PRC	Kitchen waste disposal	24,274,980.00	-	70.00	Business combinations not under common control
Pingyu Beier Environmental Technology Co., Ltd.	Zhumadian City, Henan Province, PRC	Zhumadian City, Henan Province, PRC	Kitchen waste disposal	500,000.00	-	100.00	Business combinations not under common control
Handan Bioland	Handan City, Hebei Province, PRC	Handan City, Hebei Province, PRC	Kitchen waste disposal	50,000,000.00	-	90.00	Business combinations not under common control
Guilin Bioland	Guilin City, Guangxi Province, PRC	Guilin City, Guangxi Province, PRC	Kitchen waste disposal	54,600,000.00	-	100.00	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Xinyu Bioland	Xinyu City, Jiangxi Province, PRC	Xinyu City, Jiangxi Province, PRC	Kitchen waste disposal	23,940,000.00	-	100.00	Business combinations not under common control
Zhuji Bioland	Zhuji City, Zhejiang Province, PRC	Zhuji City, Zhejiang Province, PRC	Kitchen waste disposal	100,000,000.00	-	90.00	Business combinations not under common control
Taizhou Bioland High-tech Environmental Protection Equipment Co., Ltd.	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Equipment manufacturing	300,000,000.00	-	100.00	Business combinations not under common control
Fuzhou Bioland Environmental Technology Co., Ltd.	Fuzhou City, Jiangxi Province, PRC	Fuzhou City, Jiangxi Province, PRC	Kitchen waste disposal	24,000,000.00	-	100.00	Business combinations not under common control
Nanjing Shenlu Environmental Technology Co., Ltd.	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Environment and facility services	100,000,000.00	-	100.00	Business combinations not under common control
BIOLAND ENVIRONMENTAL SOLUTIONS INC	Canada	Canada	Environment and facility services	CAD 100,100.00	-	100.00	Business combinations not under common control
Sichuan Lansheng	Zigong City, Sichuan Province, PRC	Zigong City, Sichuan Province, PRC	Kitchen waste disposal	45,039,000.00	-	84.57	Business combinations not under common control
Shenzhen Shengao Lande Engineering Co., Ltd. (formerly known as "Jiangsu Bioland Construction Engineering Co., Ltd.")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environment and facility services	10,000,000.00	-	100.00	Business combinations not under common control
China Logistics Finance	Hong Kong	Hong Kong	Investment holding	HKD1.00	-	100.00	Business combinations under common control
Financial Leasing Company (Note 5)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Financial leasing and commercial factoring	902,500,000.00	72.30	27.70	Business combinations under common control
Engineering Development Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road construction	40,500,000.00	-	60.00	Business combinations not under common control
New Energy Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Wind power	2,251,990,000.00	100.00	-	Incorporation
Inner Mongolia Chenghuan Bioland Renewable Resources Co., Ltd.	Hohhot, Inner Mongolia Autonomous Region, China	Hohhot, Inner Mongolia Autonomous Region, China	Environment and facility services	43,360,000.00	-	51.00	Incorporation
Shenzhen Bioland Environmental Protection Technology Research and Design Institute Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental and ecological monitoring, agricultural science research	10,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Gao Le Health Care Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	30,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Construction Technology Development Co., Ltd.	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Architecture and Engineering	40,000,000.00	-	51.00	Incorporation
Guangdong New Energy	Liannan Yao Autonomous County, Guangdong Province, PRC	Liannan Yao Autonomous County, Guangdong Province, PRC	Investment holding	1,956,550,000.00	-	100.00	Incorporation

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Qiantai Company (Note 6)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Comprehensive utilization of resources	307,692,300.00	-	63.33	Business combinations not under common control
Longda Company	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Toll road operation	50,000,000.00	89.93	-	Business combinations under common control
Qianxin Company	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	181,120,000.00	-	100.00	Business combinations not under common control
Qianzhi Company	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	479,183,100.00	-	100.00	Business combinations not under common control
Qianhui Company	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	264,376,900.00	-	100.00	Business combinations not under common control
Shenzhen Guangming Shenzhen Expressway Environment Technology Co., Ltd. ("Guangming Environment Technology")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Kitchen waste disposal	200,000,000.00	100.00	-	Incorporation
Shenzhen Expressway Asphalt Technology	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Asphalt materials	30,000,000.00	-	55.00	Incorporation
Beihai Zhonglan	Beihai City, Guangxi Zhuang Autonomous Region, PRC	Beihai City, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	16,390,000.00	-	90.00	Incorporation
Yongcheng Zhuneng	Yongcheng City, Shangqiu City, Henan Province, PRC	Yongcheng City, Shangqiu City, Henan Province, PRC	Wind power	102,450,000.00	-	100.00	Business combinations not under common control
Shenzhen Zhuneng	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	100,000.00	-	100.00	Incorporation
Shanghai Zhuneng	Shanghai, PRC	Shanghai, PRC	Investment holding	2,450,000.00	-	100.00	Business combinations not under common control
Ningxia Zhongwei	Zhongwei City, Ningxia Hui Autonomous Region, PRC	Zhongwei City, Ningxia Hui Autonomous Region, PRC	Wind power	175,920,236.88	-	100.00	Business combinations not under common control
Harbin Nengchuang	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Chuzhou Bioland	Chuzhou City, Anhui Province, PRC	Chuzhou City, Anhui Province, PRC	Kitchen waste disposal	25,492,400.00	-	89.10	Incorporation
Shenzhen Expressway Business Co., Ltd. ("Shenzhen Expressway Business")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Business services	8,000,000.00	100.00	-	Incorporation
Harbin Lingfeng	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Wind power	USD1,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Shengao Lekang Health Service (Shenzhen) Co., Ltd. ("Shengao Lekang")	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Health, elderly care and nursing services	15,000,000.00	-	80.00	Incorporation
SIHICH (Note 7)	Shenzhen, Guangdong Province, PRC	British Virgin Islands	Investment holding	322,930.00	-	100.00	Business combinations under common control
Bay Area Development (Note 7)	Hong Kong	Cayman Islands	Investment holding	HKD1,000,000,000.00	-	71.83	Business combinations under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Name of subsidiary	Place of main business	Place of registration	Nature of business	Registered capital (RMB, unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Wilberforce (Note 7)	Hong Kong	British Virgin Islands	Investment holding	USD1.00	-	100.00	Business combinations under common control
Jiehao (Note 7)	Hong Kong	British Virgin Islands	Investment holding	USD1.00	-	100.00	Business combinations under common control
Bay Area Management (Note 7)	Hong Kong	Hong Kong	Investment holding	HKD1.00	-	100.00	Business combinations under common control
Bay Area Service (Note 7)	Hong Kong	Hong Kong	Office service	HKD2.00	-	100.00	Business combinations under common control
Bay Area Financing (Note 7)	Hong Kong	Hong Kong	Loan financing	HKD1.00	-	100.00	Business combinations under common control
Hopewell Guangzhou Expressway (Note 7)	Hong Kong	Hong Kong	Investment holding	HKD2.00	-	100.00	Business combinations under common control
Guanjia (Note 7)	Hong Kong	British Virgin Islands	Investment holding	USD1.00	-	97.50	Business combinations under common control
Hopewell China Development (Note 7)	Hong Kong	Hong Kong	Investment holding	HKD2.00	-	100.00	Business combinations under common control
Shenzhen Bay Infrastructure (Shenzhen) Co., Ltd. ("Shenzhen Bay Infrastructure") (Note 7)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Investment holding	1,500,000,000.00	-	100.00	Business combinations under common control
Expressway Digital Technology (Note 8)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Information technology service	30,000,000.00	51.00	-	Incorporation
Lisai Environmental Protection (Note 9)	Shenzhen, Guangdong Province, PRC	Shenzhen, Guangdong Province, PRC	Environmental technology service	17,441,900.00	-	70.00	Business combinations not under common control
Shaoyang Shengao Environmental (Note 8)	Shaoyang City, Hunan Province, PRC	Shaoyang City, Hunan Province, PRC	Kitchen waste disposal	100,000,000.00	-	100.00	Incorporation
Guangdong Qizhen (Note 10)	Foshan City, Guangdong Province, PRC	Foshan City, Guangdong Province, PRC	Toll road construction	100,000,000.00	-	100.00	Acquisition
Guangzhou Jingmao (Note 10)	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Construction and engineering	10,000,000.00	-	100.00	Acquisition

Note 1: The Board of Directors of Qinglong Company is composed of 7 directors, and the Group is entitled to nominate 5 directors and the voting on business matters at the meeting of the Board of Directors is effective only after it is approved by more than half of all directors. The Group substantially controls Qinglong Company.

Note 2: On 7 May 2022, the shareholders' meeting of Coastal Company, a subsidiary of the Company, resolved to use its capital reserve to increase the registered capital by RMB2,000,000,000. After the capital reserve was transferred to the registered capital, the registered capital of Coastal Company was changed from RMB4,600,000,000.00 to RMB6,600,000,000.00. In September 2022, the capital of Coastal Company was reduced by RMB3800 million. In November 2022, Shenzhen Bay Infrastructure, a non-wholly-owned subsidiary of the Company, completed a capital increase of RMB2.998 billion to Coastal Company, after which the Company's direct shareholding ratio in Coastal Company decreased to 49.00% and Shenzhen Bay Infrastructure's shareholding ratio in Coastal Company increased to 51.00%, changing Coastal Company from a wholly-owned subsidiary to a non-wholly-owned subsidiary of the Company, with capital reserve decreased by RMB832,579,301.08 accordingly.

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(RMB)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(1) Composition of the Group: (Continued)

Note 3: According to the provisions on compensation for valuation adjustment mechanism in the Share Transfer Agreement signed by and between Environment Company, a subsidiary of the Company, and Shenzhen Water & Gas Environmental Protection Group Co., Ltd. (“Water & Gas Environmental Protection”), the original shareholder of Bioland Company, Water & Gas Environmental Protection registered the 22,640,000 shares held by it under the name of Environment Company on 30 September 2022. The Group has recovered the proceeds from valuation adjustment mechanism of Bioland Company for 2021, and the Group’s shareholding in Bioland Company has changed from 67.14% to 92.29%. In addition, Environment Company entered into a “Memorandum of Cooperation” with Zhengzhou Cida Environmental Protection Technology Co., Ltd., Shi Junying and Water & Gas Environmental Protection, under which Water & Gas Environmental Protection shall transfer its 2,260,000 shares held in Bioland Company to Environment Company as the performance guarantee for the profit and loss compensation during the transition period agreed in the share transfer agreement between the Environment Company and the original shareholders of Bioland Company. As at 31 December 2022, the registration for industrial and commercial changes has been completed for the above shares, and the Group does not need to pay the consideration temporarily according to the agreement.

Note 4: Kunshan Bioland has had its business license revoked by Kunshan Market Regulation Administration on 16 June 2022 for failing to participate in the 2019 and 2020 annual report disclosure and failing to declare taxes for 2019 and 2020 in accordance with the law. As Kunshan Bioland has no substantive operating items and has no plan to carry out operating activities for the time being, the matter mentioned above has no impact on the Group.

Note 5: On 7 May 2022, the Board of Directors of Financial Leasing Company passed the Proposal on Directed Capital Reduction of Financial Leasing Company, under which Financial Leasing Company made a directed capital reduction of RMB97,500,000.00 to Shenzhen Jianronghe Investment Co., Ltd., a minority shareholder, based on its capital contribution. As at 31 December 2022, the capital reduction procedures have been completed and the registered capital of Financial Leasing Company has been changed from RMB1,000,000,000.00 to RMB902,500,000.00 and, the Group’s direct and indirect shareholding ratio in Financial Leasing Company has been changed from 90.25% to 100%.

Note 6: Infrastructure Environment Company entered into an Equity Transfer Agreement with Shenzhen Qiantai Renewable Energy Technology Co., Ltd. (“Qiantai Energy”), under which Infrastructure Environment Company acquired 13.33% equity interest held by Qiantai Energy in Qiantai Company at the consideration of RMB72,473,437.00. The above transaction was completed on 24 June 2022 and the Group’s shareholding ratio in Qiantai Company changed from 50.00% to 63.33%.

Note 7: New subsidiaries through business combinations involving entities under common control.

Note 8: Subsidiaries newly established in the current year.

Note 9: New subsidiaries through business combinations not involving entities under common control.

Note 10: New subsidiaries through acquisition of assets in the current year.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**1. Interests in subsidiaries (Continued)****(2) Significant non-wholly-owned subsidiaries**

Year 2022

RMB

Name of subsidiary	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	16,433,154.69	–	743,177,039.95
Shenchang Company	49.00%	54,980,153.12	(58,800,000.00)	164,175,243.39
Qinglong Company	50.00%	20,611,140.69	(118,500,000.00)	522,007,230.64
Bioland Company	7.71%	(27,220,904.21)	–	187,870,136.19
Bay Area Development	28.17%	(13,555,133.44)	(146,501,637.62)	3,444,740,115.49
Total	–	51,248,410.85	(323,801,637.62)	5,061,969,765.66

Year 2021 (Restated)

RMB

Name of subsidiary	Equity interest held by minority shareholders	Profit or loss attributable to minority shareholders	Dividend declared to minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	44,607,158.52	–	753,351,856.12
Shenchang Company	49.00%	62,384,134.62	(29,400,000.00)	167,995,090.27
Qinglong Company	50.00%	36,540,295.69	(130,000,000.00)	619,896,089.95
Bioland Company	32.86%	(38,353,740.03)	–	428,548,341.51
Bay Area Development	28.17%	95,085,588.27	(157,183,081.03)	2,841,514,434.98
Total		200,263,437.07	(316,583,081.03)	4,811,305,812.83

(3) Major financial information of significant non-wholly-owned subsidiaries

RMB

Name of subsidiary	31 December 2022					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	316,214,333.80	5,767,140,106.37	6,083,354,440.17	404,412,366.19	2,866,815,323.53	3,271,227,689.72
Shenchang Company	55,212,732.32	486,990,462.33	542,203,194.65	207,328,614.09	2.24	207,328,616.33
Qinglong Company	321,554,980.06	1,435,773,582.00	1,757,328,562.06	177,340,250.44	516,958,274.37	694,298,524.81
Bay Area Development	1,474,026,116.23	15,193,330,089.71	16,667,356,205.94	1,875,443,439.44	2,958,816,361.24	4,834,259,800.68
Bioland Company	568,720,275.60	3,627,375,092.33	4,196,095,367.93	890,326,839.31	746,780,793.08	1,637,107,632.39

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(RMB)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(3) Major financial information of significant non-wholly-owned subsidiaries (Continued)

RMB

Name of subsidiary	31 December 2021 (Restated)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	291,941,877.51	6,027,743,004.95	6,319,684,882.46	244,652,359.83	2,889,977,154.84	3,134,629,514.67
Shenchang Company	99,194,393.53	567,833,803.18	667,028,196.71	248,408,371.89	75,949,640.63	324,358,012.52
Qinglong Company	259,591,099.91	1,824,256,251.65	2,083,847,351.56	166,656,590.64	677,398,581.00	844,055,171.64
Bay Area Development	3,606,216,402.23	15,918,017,454.71	19,524,233,856.94	2,002,402,681.44	1,188,237,205.66	3,190,639,887.10
Bioland Company	651,986,281.25	3,488,668,523.14	4,140,654,804.39	983,945,581.51	1,997,358,430.94	2,981,304,012.45

RMB

Name of subsidiary	2022			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	618,871,922.00	69,543,608.49	69,543,608.49	432,957,896.79
Shenchang Company	242,006,141.11	112,204,394.13	112,204,394.13	186,970,523.07
Qinglong Company	575,526,913.30	41,222,281.38	41,222,281.38	396,189,796.59
Bay Area Development	791,940,852.38	(767,953.56)	(187,941,669.83)	206,944,143.24
Bioland Company	666,388,290.82	(158,681,673.88)	(158,681,673.88)	30,894,024.09

RMB

Name of subsidiary	2021 (Restated)			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	879,347,366.86	188,773,417.35	188,773,417.35	634,272,347.64
Shenchang Company	302,025,768.37	127,314,560.44	127,314,560.44	223,464,276.20
Qinglong Company	664,453,211.95	73,080,591.37	73,080,591.37	473,653,098.58
Bay Area Development	614,403,963.76	309,444,998.49	538,374,307.13	(315,635,131.84)
Bioland Company	1,217,847,967.28	(113,463,878.64)	(113,463,878.64)	(32,000,190.25)

Note: Except for the significant non-wholly-owned subsidiaries listed in Note VII, 1 (2), since the amount of revenue realized by other non-wholly-owned subsidiaries in the current year does not exceed 5% of the total revenue of the Group in the current year, the total profit realized in the current year does not exceed 5% of the total profit of the Group in the current year, none of the total assets at the end of the period is higher than 5% of the total assets of the Group at the end of the year, the Company's Board of Directors believes that except for the significant non-wholly-owned subsidiaries listed in Note VII, 1(2), the other non-wholly-owned subsidiaries are insignificant non-wholly-owned subsidiaries.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (Continued)

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2022, there was no restriction which prohibited the usage of assets or the settlement of liabilities of the Group.

2. Interests in associates and joint ventures

(1) Significant associates and joint ventures

Name	Place of main business	Place of registration	Nature of business	Equity interest (%)		Method of accounting treatment
				Direct	Indirect	
Derun Environment	Chongqing, China	Chongqing, China	Environmental governance and resource recovery	-	20.00	Equity method
Guangzhou-Shenzhen-Zhuhai Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	45.00	Equity method
Guangzhou West Line Expressway	Guangdong Province	Guangzhou, Guangdong Province	Toll road operation	-	50.00	Equity method

(2) Major financial information of significant associates and joint ventures

RMB

Item	31 December 2022/For the year ended 31 December 2022			31 December 2021/For the year ended 31 December 2021 (Restated)		
	Derun Environment (Note 1)	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou West Line Expressway	Derun Environment	Guangzhou-Shenzhen-Zhuhai Expressway	Guangzhou West Line Expressway
Current assets	13,204,827,688.03	1,354,142,769.27	341,236,098.44	12,400,511,883.93	758,404,491.85	199,851,412.48
Including: Cash and cash equivalents	5,475,233,286.95	819,822,357.74	315,693,971.48	5,393,849,564.58	556,445,779.73	169,817,184.51
Non-current assets	48,877,057,882.57	15,071,995,678.91	11,826,991,388.23	44,952,381,718.66	16,542,861,890.11	12,226,409,232.57
Total assets	62,081,885,570.60	16,426,138,448.18	12,168,227,486.67	57,352,893,602.59	17,301,266,381.96	12,426,260,645.05
Current liabilities	11,845,158,841.55	1,805,379,239.48	1,085,049,761.81	10,698,916,046.44	877,610,503.59	609,417,354.90
Non-current liabilities	17,386,387,854.36	3,261,913,206.37	4,024,287,034.12	15,263,212,870.43	3,684,928,153.55	4,561,003,968.39
Total liabilities	29,231,546,695.91	5,067,292,445.85	5,109,336,795.93	25,962,128,916.87	4,562,538,657.14	5,170,421,323.29
Minority interests	14,859,102,036.79	-	-	13,975,036,638.63	-	-
Equity attributable to shareholders of the parent company	17,991,236,837.90	11,358,846,002.33	7,058,890,690.74	17,415,728,047.09	12,738,727,724.82	7,255,839,321.76
Share of net assets calculated according to shareholding ratio	3,598,247,367.58	5,111,480,701.05	3,529,445,345.37	3,483,145,609.42	5,732,427,476.17	3,627,919,660.88
Adjustment matters	1,462,953,999.22	(64,903,847.33)	-	1,462,953,999.22	(12,058,000.00)	-
- Goodwill	1,462,953,999.22	-	-	1,462,953,999.22	-	-
- Unrealized profits from internal transactions	-	(65,891,347.31)	-	-	(13,044,000.00)	-
- Others	-	987,499.98	-	-	986,000.00	-
Carrying amount of equity investment in associates and joint ventures	5,061,201,366.80	5,046,576,853.72	3,529,445,345.37	4,946,099,608.64	5,720,369,476.17	3,627,919,660.88
Fair value of equity investment in associates and joint ventures with publicly quoted prices	N/A	N/A	N/A	N/A	N/A	N/A
Operating income	14,028,621,278.55	2,279,607,241.51	1,073,960,280.73	13,313,302,535.29	2,865,690,084.32	1,331,605,237.31
Income tax expenses	529,499,615.04	255,591,767.09	67,670,037.44	521,329,222.80	433,636,937.31	110,717,471.52
Net profit	3,142,190,837.53	665,191,037.57	349,352,299.59	3,443,575,886.89	1,103,316,397.27	318,169,071.42
Net profit from discontinued operations	-	-	-	-	-	-
Other comprehensive income	(35,313,595.90)	-	-	(161,753,394.02)	-	-
Total comprehensive income	3,106,877,241.63	665,191,037.57	349,352,299.59	3,281,822,492.87	1,103,316,397.27	318,169,071.42
Dividends received from associates and joint ventures in the current year	148,000,000.00	631,679,582.02	173,641,362.52	132,000,000.00	715,155,250.77	70,490,862.05

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates and joint ventures (Continued)

(2) Major financial information of significant associates and joint ventures (Continued)

Note 1: The Group shares the net profit of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio. After deducting the current-year premium amortization of RMB39,131,417.04, the Group recognized the investment income from Derun Environment of RMB256,032,658.18. The Group shares, based on the 20% shareholding ratio, the other comprehensive income net of tax of Derun Environment attributable to shareholders of the parent company amounting RMB (7,062,719.18), and recognized the change in capital reserve of Derun Environment amounting RMB14,131,819.16. Please refer to Note V, 13.

(3) Major financial information of insignificant associates and joint ventures

RMB

Item	31 December 2022 /For the year ended 31 December 2022	31 December 2021 /For the year ended 31 December 2021 (Restated)
Associates and Joint Venture:		
Total carrying amount of investments	4,111,846,382.48	4,814,024,495.60
The total of the following items calculated according to the shareholding ratio		
– Net profit	293,601,117.49	163,646,549.91
– Other comprehensive income	(16,202,400.00)	15,324,512.00
– Total comprehensive income	277,398,717.49	178,971,061.91

As at 31 December 2022, there was no substantial restriction on transferring funds between the Group and associates and joint ventures.

VIII. FINANCIAL INSTRUMENTS AND RISKS

The Group's major financial instruments include cash at banks and on hand, transactional financial assets, bills receivable, accounts receivable, other receivables, non-current assets due within one year, long-term receivables, other non-current financial assets, short-term borrowings, transactional financial liabilities, bills payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable, lease liabilities, long-term payables, etc. At the end of the year, the Group has the following financial instruments. Please ref to Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the risks are monitored at a certain level.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

RMB

Item	31 December 2022	31 December 2021 (Restated)
Financial assets		
Measured at fair value through profit or loss		
Transactional financial assets	1,112,243,771.54	564,018,179.30
Other non-current financial assets	763,264,630.44	738,846,474.26
Measured at amortized cost		
Cash at banks and on hand	3,635,862,158.72	5,948,688,887.14
Bills receivable	3,500,000.00	87,388,115.83
Accounts receivable	1,052,263,013.07	993,613,902.45
Other receivables	1,121,628,992.41	981,250,269.52
Non-current assets due within one year	196,704,222.31	235,808,874.20
Long-term receivables	2,152,166,502.48	1,116,297,854.71

RMB

Item	31 December 2022	31 December 2021 (Restated)
Financial liabilities		
Measured at fair value through profit or loss		
Transactional financial liabilities	133,009,243.01	–
Measured at amortized cost		
Short-term borrowings	9,396,229,275.32	4,120,586,329.34
Bills payable	228,669,880.66	87,244,188.73
Accounts payable	2,812,967,920.77	2,502,175,159.44
Other payables	1,371,768,690.38	1,776,497,691.50
Non-current liabilities due within one year	6,380,323,337.26	4,974,845,270.24
Other current liabilities	2,016,515,923.01	2,019,820,913.54
Long-term borrowings	9,573,248,109.29	10,069,194,495.36
Bonds payable	5,769,517,430.62	7,086,863,713.17
Lease liabilities	47,738,699.35	326,956,105.32
Long-term payables	1,148,281,363.36	4,393,072,497.98

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and probable changes in risk variables on current profit or loss and owners' equity. As changes in any risk variable rarely occur in isolation and the correlation that exists between variables will have a significant effect on the ultimate amount of the impact of a change in a particular risk variable, the following is performed under the assumption that changes in each variable are independent.

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD and USD. Except for the purchases and sales of several subsidiaries of the Group in HKD and USD, and the bank balances in EUR, JPY, FRF, and ESP of the Company, all the other principal operating activities of the Group are denominated and settled in RMB. As at 31 December 2022, the Group's assets and liabilities are all in functional currency, except for the balances of assets and liabilities set out below, which are in currencies other than functional currency.

RMB

Item	31 December 2022	31 December 2021 (Restated)
Cash at banks and on hand	47,010,028.71	14,750,422.58
Other receivables	214,216,939.77	634,195,313.22
Short-term borrowings	–	1,300,514,486.13
Other payables	536,181,490.94	3,653,920.15
Non-current liabilities due within one year	199,082,031.53	172,088,904.99
Bonds payable	2,094,738,029.92	1,913,163,209.96

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**1. Risk management objectives and policies (Continued)****1.1 Market risk (Continued)***1.1.1 Currency risk (Continued)*

Sensitivity analysis on currency risk

The assumptions for the sensitivity analysis on currency risk: all net investment hedges and cash flow hedges of overseas operations are highly effective.

Based on the above assumptions, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item	Changes in exchange rate	2022		2021 (Restated)	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
USD	10% increase against RMB	(157,885,931.66)	(157,885,931.66)	(144,680,428.46)	(144,680,428.46)
USD	10% decrease against RMB	157,885,931.66	157,885,931.66	144,680,428.46	144,680,428.46
HKD	10% increase against RMB	(34,772,162.13)	(34,772,162.13)	(60,855,180.46)	(60,855,180.46)
HKD	10% decrease against RMB	34,772,162.13	34,772,162.13	60,855,180.46	60,855,180.46

1.1.2 Interest rate risk – risk of changes in cash flows

The Group's risk of changes in the cash flow of financial instruments caused by changes in interest rates is mainly related to the Group's long-term liabilities with floating interest rates. The Group continues to pay close attention to the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain floating interest rates for these borrowings. Currently, there are no arrangements such as interest rate swaps.

Sensitivity analysis on interest rate risk

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item	Interest rate changes	2022		2021 (Restated)	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
RMB	100 basis points higher	(130,446,486.61)	(130,446,486.61)	(100,855,188.78)	(100,855,188.78)
RMB	100 basis points lower	130,446,486.61	130,446,486.61	100,855,188.78	100,855,188.78

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (Continued)

1.2 Credit risk

As at 31 December 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from cash at banks and on hand, Bills receivable, accounts receivable, other receivables, long-term receivables, etc. For financial instruments measured at fair value, the carrying amount reflects their risk exposure, but it is not the maximum risk exposure. The maximum risk exposure will change with changes in the fair value in the future.

In order to reduce credit risk, the Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

The Group continuously conducts credit assessment on the financial status of customers, and the impairment loss of bad debts is maintained within the amount expected by the management.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the use of bank loans and ensures compliance with loan agreements.

As at 31 December 2022, the Group has unused bank credit lines totaling RMB30.462 billion and the relevant banks have not made any reservations about the use of these loan lines, which can meet the funding needs of the Group's debt and capital commitments. The Group is able to resolve the lack of working capital through reasonable financing arrangements.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (Continued)

1.3 Liquidity risk (Continued)

The analysis of the financial liabilities held by the Group based on the maturity period of the undiscounted remaining contractual obligations is as follows:

RMB

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Short-term borrowings	9,527,756,692.71	–	–	–	9,527,756,692.71
Bills payable	228,669,880.66	–	–	–	228,669,880.66
Accounts payable	2,812,967,920.77	–	–	–	2,812,967,920.77
Other payables	1,371,768,690.38	–	–	–	1,371,768,690.38
Non-current liabilities					
due within one year	6,388,800,917.78	–	–	–	6,388,800,917.78
Other current liabilities	2,027,306,301.43	–	–	–	2,027,306,301.43
Long-term borrowings	372,190,526.12	1,629,383,337.84	4,676,722,835.56	4,727,251,262.15	11,405,547,961.67
Bonds payable	999,057,269.48	171,614,850.00	5,359,249,700.00	1,063,600,000.00	7,593,521,819.48
Lease liabilities	16,048,766.55	10,324,912.24	13,984,138.95	19,533,564.88	59,891,382.62
Long-term payables	80,324,545.73	149,450,468.50	944,646,715.85	30,859,633.29	1,205,281,363.37
Transactional financial liabilities	133,009,243.01	–	–	–	133,009,243.01
Total	23,957,900,754.62	1,960,773,568.58	10,994,603,390.36	5,841,244,460.32	42,754,522,173.88

Given that the Group has stable and abundant operating cash flow and sufficient credit lines, and has made appropriate financing arrangements to meet debt repayment and capital expenditures, the management of the Company believes that the Group does not have significant liquidity risk.

2. Transfer of financial assets

2.1 Transferred financial assets that are not derecognized in their entirety

As part of its normal business, the Group entered into a Bills receivable factoring arrangement (the "Arrangement") and transferred certain Bills receivable to financial institutions. Under the Arrangement, the Group may be required to reimburse the bank for loss of principal and interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the discounted bills receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. The carrying amount of the commercial acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2022 was RMB0 (31 December 2021: 27,000,000.00). The carrying amount of the bank acceptance bills transferred under the Arrangement that have not been settled was RMB0 (31 December 2021: 6,000,000.00). The carrying amount of the assets that the Group continued to recognize as at 31 December 2022 was RMB0 (31 December 2021: RMB33,000,000.00) and that of the associated liabilities as at 31 December 2022 was RMB0 (31 December 2021: RMB33,000,000.00), which were charged to short-term borrowings, respectively.

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Transfer of financial assets (Continued)

2.1 Transferred financial assets that are not derecognized in their entirety (Continued)

As at 31 December 2022, the Group endorsed the supplier's commercial acceptance bills for settlement of accounts payable with a carrying amount of RMB0 (31 December 2021: RMB10,000,000.00), which has the maturity date from 1 to 12 months. The Group endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying amount of RMB1,700,000.00 (31 December 2021: 17,612,500.00), which has the maturity date from 1 to 12 months. The Group believes that almost all risks and rewards related to Bills receivable at the time of endorsement have not yet been transferred and do not meet the conditions for derecognition of financial assets. Therefore, the relevant bills receivable has not been fully derecognized on the date of endorsement.

2.2 Transferred financial assets that have been derecognized as a whole but continue to be involved

As at 31 December 2022, the Group endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying amount of RMB0 (31 December 2021: RMB2,500,000.00). According to the relevant provisions of the Bills Act, if the accepting bank refuses to pay, its holders have the right to recourse from the Group (the "Continuing Involvement"). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore derecognized the carrying amount of bills receivable of accounts payable that have been settled. The maximum losses and undiscounted cash flows arising from continuing involvement are equal to their carrying amounts. The Group believes that continuing involvement in fair value is not significant.

During the year 2022, the Group has not recognized any gain or loss on the date of transfer of the bills receivable. No gains or expenses were recognized as a result of the continuing involvement in derecognized financial assets, both during the period or cumulatively.

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2021 and 2022.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**3. Capital management (Continued)**

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Total assets	69,201,468,263.76	72,304,935,166.59
Total liabilities	41,840,560,313.98	40,772,361,268.89
Debt-to-asset ratio	60.46%	56.39%

IX. FAIR VALUE DISCLOSURE**1. Closing fair value of financial assets and liabilities measured at fair value****31 December 2022**

RMB

Item	Closing fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measurement on a recurring basis:				
Transactional financial assets	901,439,630.14	–	210,804,141.40	1,112,243,771.54
Other non-current financial assets	246,936,713.24	–	516,327,917.20	763,264,630.44
Transactional financial liabilities	–	–	133,009,243.01	133,009,243.01
Total	1,148,376,343.38	–	594,122,815.59	1,742,499,158.97

The fair value of level 3 financial instrument is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value at 31 December 2022.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2022, the management of the Company considers that the carrying amounts of financial assets and financial liabilities in the Group's financial statements approximate their fair values.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International, and the ultimate controlling party of the Company is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII, 1.

3. Information about associates and joint ventures

The situation of the associates and joint ventures that have related party transactions with the Group in the current year or have related party transactions with the Group in the previous year is as follows:

Name	Relationship with the Company
Yunji Smart	Associate or joint venture
Huayu Company	Associate or joint venture
Huai'an Zhongheng	Associate or joint venture
GZ W2 Company	Associate or joint venture
Yangmao Company	Associate or joint venture
United Land Company	Associate or joint venture
Shengchuang Fund	Associate or joint venture
Xintang Joint Venture	Associate or joint venture
Bank of Guizhou	Associate or joint venture
Guangzhou-Shenzhen-Zhuhai Expressway	Associate or joint venture

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about other related parties

Name	Relationship with the Company
Shenzhen Investment Holdings International	Wholly-owned subsidiary of the ultimate controlling party
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Wholly-owned subsidiary of the controlling shareholder
Guizhou Pengbo Investment Co., Ltd. ("Guizhou Pengbo")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Hong Kong	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Modern Logistics Petty Loan Co. Ltd ("Shenzhen International Modern Logistics Petty Loan")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen Whole-process Logistics Service Co. Ltd. ("Whole-process Logistics Company")	Holding subsidiary of the controlling shareholder
Shenzhen International Feichi Logistics Co., Ltd. ("Shenzhen International Feichi")	Holding subsidiary of the controlling shareholder
Shenzhen Wuzhou Guest Hotel Co., Ltd. ("Wuzhou Guest Hotel")	Holding subsidiary of the controlling shareholder
Henan Yudong Shenan Port Co., Ltd. ("Henan Yudong")	Holding subsidiary of the controlling shareholder
Xin Tong Chan Company	Shareholder of the Company
United Electronic	Participating company of the Company
Water Planning & Design Institute	Participating company of the Company
Nanjing Anvis Transmission Technology Co., Ltd. ("Nanjing Anvis")	Other related party
Hunan Guangyuan Culture Communication Co., Ltd. ("Hunan Guangyuan")	Other related party

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services

Procurement of goods/receipt of labor services

RMB

Name of related party	Content of transaction	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
United Electronic (Note 1)	Receiving network tolling settlement services	24,461,493.15	26,640,898.39
Yunji Smart (Note 2)	Receiving engineering survey, design and consulting services	37,155,705.16	43,842,100.74
Water Planning & Design Institute (Note 3)	Receiving technical services regarding flood control for projects and water-related impact	2,053,500.00	1,316,933.96
Others (Note 4)	Receiving power supply services and others	125,604.14	54,086.00
Total		63,796,302.45	71,854,019.09

Note 1: The Guangdong Provincial People's Government has designated United Electronic to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its related subsidiaries have signed a series of agreements with United Electronic and entrusted it to provide toll settlement services for Meiguan Expressway, Airport-Heao Expressway, Qinglian Expressway, Yanjiang Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

Note 2: The Group has entered into management service contracts with Yunji Smart to receive engineering survey and design, consulting, highway inspection and special maintenance services for the Outer Ring project, Coastal Project Phase II and other roads of the Group.

Note 3: The Company has entered into a service contract with the Water Planning & Design Institute to receive technical consulting services regarding flood control impact assessment and safety assessment on water-related projects of Airport-Heao Expressway reconstruction and expansion project.

Note 4: Advertising Company, a subsidiary of the Company, and Qinglong Company received the supply of water and electricity and power supply services for its advertising boards from Xin Tong Chan Company and Huayu Company. The respective transaction amounts were not presented separately as they were not material.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions (Continued)****(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services (Continued)***Sale of goods/rendering of labor services**RMB*

Name of related party	Content of transaction	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Huai'an Zhongheng (Note 1)	Rendering of operation and maintenance services	7,709,219.81	2,835,471.69
Henan Yudong (Note 2)	Service fee income	1,966,260.13	–
Wuzhou Guest Hotel	Office rental fee	–	452,717.76
Others (Note 3)	Rendering of commission sale of water and electricity for office and others	1,134,372.13	968,233.65
Total		10,809,852.07	4,256,423.10

Note 1: Nanjing Wind Power, a subsidiary of the Company, entered into an entrusted operation contract with Huai'an Zhongheng, under which it provides entrusted management services for Huai'an Zhongheng wind power.

Note 2: Financial Leasing Company, a subsidiary of the Company, entered into a consulting contract with Henan Yudong, under which it provides consulting services for Henan Yudong.

Note 3: The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Company, United Electronic and Yunji Smart. The hydropower resource service is calculated based on the price paid to the water supply and power supply agency. As the amount is small, it is not presented separately.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Related leases

(a) *The Group as a lessor:*

RMB

Lessee	Type of assets leased	Lease income recognized in the current year	Lease income recognized in the prior year (Restated)
Yunji Smart	Office building	322,095.25	1,038,033.50
Whole-process Logistics Company and Shenzhen International Feichi	Equipment	–	39,274.94
Hunan Guangyuan	Outdoor advertisement	253,539.53	–
Total		575,634.78	1,077,308.44

(b) *The Group as a lessee:*

RMB

Lessor	Type of assets leased	Lease income recognized in the current year	Lease income recognized in the prior year (Restated)
SC Logistics Company and Huayu Company	Billboard land use rights	857,390.06	771,428.60

The respective transaction amounts were not presented separately as they were not material.

* (3) Remuneration of key management personnel

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Remuneration of key management personnel	13,467,593.44	12,960,842.95

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 21 (2021: 24) members of key management personnel during the year, including 2 resigned directors and senior management personnel.

Note: Remuneration above excludes: (a) 2021 incentive for risk guarantee received in 2022 by directors Hu Wei (resigned in December 2022), Liao Xiangwen, Wang Zengjin, Wen Liang, by supervisor Lin Jitong and by senior management personnel Huang Binan, Wen Bowei, Gong Taotao (resigned in March 2022), Zhao Guiping, Chen Shouyi, Sun Ce (resigned in 2021), Wen Deliang and Du Meng amounted to RMB72,000, RMB72,000, RMB50,000, RMB50,000, RMB50,000, RMB50,000, RMB72,000, RMB66,600, RMB72,000, RMB50,000, RMB50,000, RMB50,000, RMB4,200 and RMB6,000, respectively.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions (Continued)***** (3) Remuneration of key management personnel (Continued)***(a) Remuneration of directors and supervisors*

The remuneration for each director and supervisor in 2022 is as follows:

RMB

Name	Remuneration	Salary and bonus	Total
Hu Wei	–	1,016,583.33	1,016,583.33
Liao Xiangwen	–	1,187,200.00	1,187,200.00
Wang Zengjin	–	1,060,000.00	1,060,000.00
Lin Jitong	–	–	–
Wen Liang	–	–	–
Ye Huihui	–	489,444.00	489,444.00
Dai Jingming	–	–	–
Li Xiaoyan	–	–	–
Lü Dawei	–	–	–
Bai Hua	230,000.00	–	230,000.00
Li Feilong	230,000.00	–	230,000.00
Miao Jun	230,000.00	–	230,000.00
Xu Huaxiang	230,000.00	–	230,000.00
Wang Chao	–	–	–

The remuneration for each director and supervisor in 2021 is as follows:

RMB

Name	Remuneration	Salary and bonus	Total
Hu Wei	–	950,000.00	950,000.00
Liao Xiangwen	–	1,171,400.00	1,171,400.00
Wang Zengjin	–	1,046,600.00	1,046,600.00
Wen Liang	–	–	–
Bai Hua	230,000.00	–	230,000.00
Li Feilong	230,000.00	–	230,000.00
Miao Jun	144,301.37	–	144,301.37
Xu Huaxiang	144,301.37	–	144,301.37
Chen Xiaolu (resigned)	86,328.77	–	86,328.77
Ye Huihui	–	440,446.00	440,446.00

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For the year ended 31 December 2022
(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

* (3) Remuneration of key management personnel (Continued)

(a) Remuneration of directors and supervisors (Continued)

The remuneration of the above directors and supervisors has been reflected in the remuneration of key management personnel.

In the current year, the meeting allowances (before tax) payable to directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming, Li Xiaoyan, Chen Haishan (resigned), Lü Dawei, Bai Hua, Li Feilong, Miao Jun and Xu Huaxiang, and to supervisors Lin Jitong, Wang Chao and Ye Huihui amounted to RMB13,000.00, RMB15,000.00, RMB16,000.00, RMB16,000.00, RMB13,000.00, RMB17,000.00, RMB7,000.00, RMB7,000.00, RMB22,000.00, RMB23,000.00, RMB23,000.00, RMB17,000.00, RMB9,000.00, RMB9,000.00, and RMB9,000.00 respectively. Among others, directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming and Li Xiaoyan, and supervisors Lin Jitong and Wang Chao waived their rights to receive the meeting allowances of the year.

In addition, directors Hu Wei, Liao Xiangwen, Wang Zengjin and supervisor Ye Huihui also received other benefits and allowances, including employer contributions to the retirement plan and employee medical insurance plan, which amounted to RMB197,370.93 (2021: RMB219,911.67), RMB244,504.14 (2021: RMB232,599.67), RMB227,453.10 (2021: RMB221,543.67) and RMB170,932.52 (2021: RMB159,716.06) respectively.

(b) Five highest paid individuals

2 directors (2021: 2 directors) were included in the top five highest paid individuals of the Group in the current year, the remuneration of whom has been reflected in the table above; and the total amount of remuneration of the other 3 individuals (2021: 3) is listed as follows:

RMB

Item	Amount incurred in 2022	Amount incurred in 2021
Basic salary, bonus, housing allowance, pensions and other subsidies	3,789,477.80	3,773,883.01

Scope of remuneration	Number of individuals in 2022	Number of individuals in 2021
HKD0 to HKD1,000,000	–	–
HKD1,000,001 to HKD1,500,000	–	–
HKD1,500,001 to HKD2,000,000	3	3
HKD2,000,001 and above	–	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Borrowings from/to related parties

Borrowings from related parties:

RMB

Related party	Amount of borrowings	31 December 2022	Interest rate	Inception date	Due date
GZ W2 Company (Note 1)	37,500,000.00	–	4.275%	26 December 2019	25 December 2022
United Land Company (Note 2)	944,646,715.85	944,646,715.85	–	29 December 2021	–
Shenzhen Investment Holdings International (Note 3)	2,089,380,000.00	2,089,380,000.00	2.85%	27 September 2018	26 September 2023
Total	3,071,526,715.85	3,034,026,715.85			

Borrowings to related parties:

RMB

Related party	Amount of borrowings	31 December 2022	Interest rate	Inception date	Due date
Xintang Joint Venture (Note 4)	210,000,000.00	210,000,000.00	6%	21 January 2021 15 March 2021 10 May 2021	21 January 2023 15 March 2023 10 May 2023

Note 1: In December 2019, the Company signed an entrusted loan contract with GZ W2 Company and Industrial and Commercial Bank of China Co., Ltd., under which GZ W2 Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB37,500,000.00 to the Company. This will be used for the Company's daily business activities. The loan period is 3 years, and the annual interest rate of the loan is 4.275%. During the year, the Company has repaid the principal of the loan and recognized an interest expenses of RMB984,140.62 accordingly.

Note 2: As at 31 December 2022, the balance of the Company's interest-free borrowing from United Land Company was RMB944,646,715.85.

Note 3: It is a borrowing from Shenzhen Investment Holdings International by SIHICH, a subsidiary of the Company, with a term from 27 September 2018 to 26 September 2023 and an interest rate of 2.85% per annum from 1 January 2021. As at 31 December 2022, the principal of the borrowing was RMB2,089,380,000.00 and the Company recognized an interest expenses of RMB58,379,906.21 for it.

Note 4: It is a borrowing from SIHICH, a subsidiary of the Company, to Xintang Joint Venture, which consists of three borrowings with different inception and due dates. The term of the borrowing is one year, and it will be automatically renewed if there is no objection by both parties and, therefore, it has been automatically renewed to 2023. The initial interest rate on the borrowing was 8% per annum and the parties entered into a supplemental agreement on 16 September 2022 to re-agree the interest rate on the borrowing at 6% per annum. As of 31 December 2022, the principal of the borrowing was RMB210,000,000.00 and the Company has recognized an interest income of RMB385,000.00 for it.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables due to related parties

(1) Receivable items

RMB

Item	Related parties	31 December 2022		31 December 2021 (Restated)	
		Gross carrying amount	Bad debt provision	Gross carrying amount	Bad debt provision
Bills receivable	Huai'an Zhongheng	–	–	5,000,000.00	–
Accounts receivable	Huai'an Zhongheng	3,810,276.80	–	500,000.00	–
Accounts receivable	Huayu Company	129,196.40	–	–	–
Dividends receivable (Note V, 6.2)	Guangzhou-Shenzhen-Zhuhai Expressway	181,376,782.72	–	–	–
Prepayments	Yunji Smart	–	–	3,254,318.86	–
Prepayments	United Electronic	39,442.03	–	275,132.92	–
Prepayments	SC Logistics Company	24,127.20	–	–	–
Prepayments	Nanjing AVIS	183,671.82	–	–	–
Other receivables (Note V, 6.3)	Xintang Joint Venture	210,385,000.00	–	263,636,026.67	–
Other receivables (Note V, 6.3)	Huai'an Zhongheng	88,331,191.80	–	113,236,791.80	–
Other receivables (Note V, 6.3)	Yunji Smart	84,050.00	–	444,050.00	–
Other receivables (Note V, 6.3)	Huayu Company	20,000.00	–	20,000.00	–
Other receivables (Note V, 6.3)	United Electronic	77,078.88	–	–	–
Long-term prepayments	United Land Company	353,672,990.00	–	–	–
Long-term prepayments	Shenzhen Investment Holdings International	–	–	610,973,679.03	–
Long-term prepayments	Water Planning & Design Institute	–	–	509,433.96	–
Other non-current assets	United Land Company	342,599,500.00	–	342,599,500.00	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables due to related parties (Continued)

(2) Payable items

RMB

Item	Related parties	31 December 2022	31 December 2021 (Restated)
Accounts payable	Yunji Smart	19,462,226.60	15,389,775.95
Accounts payable	United Electronic	243,694.94	337,167.52
Accounts payable	Huayu Company	12,000.00	9,500.00
Accounts payable	SC Logistics Company	11,500.00	–
Other payables (Note V, 31.3(1))	Yunji Smart	22,773,351.94	17,624,140.47
Other payables (Note V, 31.3(1))	United Electronic	1,612,986.70	1,828,461.58
Other payables (Note V, 31.3(1))	Guizhou Pengbo	–	955,680.55
Other payables (Note V, 31.3(1))	Shenzhen International Hong Kong	252,182.14	244,733.57
Other payables (Note V, 31.3(1))	Xin Tong Chan Company	5,000.00	5,000.00
Other payables (Note V, 31.3(1))	Shenzhen International Petty Loan	2,196.12	2,196.12
Other payables (Note V, 31.3(1))	Huayu Company	7,200,000.00	–
Other payables (Note V, 31.3(1))	Yangmao Company	30,000,000.00	–
Non-current liabilities due within one year/Long-term borrowings	GZ W2 Company	–	37,548,984.38
Long-term payables (Note V, 37.(1))	United Land Company	944,646,715.85	2,131,451,615.06
Long-term payables (Note V, 37.(1))	Shenzhen Investment Holdings International	2,105,041,763.41	4,590,145,473.76

Amounts due from/to related parties above (excluding borrowings from related parties) are non-interest bearing, unsecured and have no fixed repayment terms.

7. Commitments to related parties

The following table presents the commitment related to related parties that had been contracted but not yet recognized on the balance sheet:

(1) Receiving service

RMB

Related party	31 December 2022	31 December 2021 (Restated)
Yunji Smart	8,879,727.94	44,216,940.58

(2) Investment commitments

As at 31 December 2022, the Group's investment commitments to related parties amounted to RMB315,000,000.00 (31 December 2021: RMB519,425,980.00), which was the capital contribution commitment for the establishment of the associate Shengchuang Fund.

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(RMB)

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the related party commitments disclosed in Note X, 7, the other significant commitments of the Group are as follows:

(1) Capital commitments

RMB

Item	31 December 2022	31 December 2021 (Restated)
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Commitment for acquisition and construction of long-term assets		
– Expressway construction projects	2,630,821,496.96	3,572,026,624.46
– Kitchen waste disposal projects	1,218,615,510.82	1,115,962,201.83
Total	3,849,437,007.78	4,687,988,826.29

In May 2018, Nanjing Wind Power, a subsidiary of the Group, entered into a Cooperation Agreement on 30MW Wind Power Project in Zhangshu Gezao Mountain with Jiangxi Gaochuan New Energy Co., Ltd. (“Jiangxi Gaochuan”) and Nanjing Gaochuan Electromechanical Automatic Control Equipment Co., Ltd. (“Nanjing Gaochuan”), which stipulated that after the “Yichun Zhangshu Gezao Mountain Wind Farm of Gaochuan New Energy” project of Zhangshu Gaochuan New Energy Co., Ltd (“Zhangshu Gaochuan”), a subsidiary of Jiangxi Gaochuan, is completed, Nanjing Wind Power will seek a third party to acquire Zhangshu Gaochuan. In case no third party is willing to acquire Zhangshu Gaochuan, Nanjing Wind Power will acquire it instead. The budget estimate of this project is approximately RMB250 million.

2. Contingencies

(1) Significant contingencies at the balance sheet date

- (a) As at 31 December 2022, the Group’s performance guarantee and tender guarantee of certain projects are in effect, with the cumulative amount of guarantee of approximately RMB650 million.
- (b) As at 31 December 2022, the Group provided a stage-and-combined liability guarantee of RMB460 million to the bank for its house mortgage loans granted by the bank to the Group’s property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments and the Group can then receive legal ownership of the property. The Group’s guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. Management believes that if the payment is in arrears, the net realizable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and no provision is made for these guarantees.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date (Continued)

- (c) On 28 October 2016, Nantong No. 4 Construction Group Co., LTD. (“Nantong No. 4 Construction”) and Taizhou Bioland signed the “Construction Contract of Taizhou Kitchen Waste Disposal Project”, which agreed that Nantong No. 4 Construction would be responsible for the civil construction, water and electricity installation, and the purchase and installation of mechanical and electrical equipment. The contract price is tentatively set at RMB185,568,577.68. On 30 December 2017, Nantong No.4 Construction completed the additional works within and outside the contract. On 12 October 2020, Nantong No.4 Construction Company filed a lawsuit with the People’s Court of Hailing District, Taizhou City, Jiangsu Province to ask the court to order Taizhou Bioland to pay the remaining RMB42,952,327.45, and pay the one-year interest of RMB3,279,007.94 at the standard of annual interest rate of 6.5%, the interest loss of overdue payment of RMB4,730,721.62 and the liquidated damages of RMB364,872.33. Taizhou Bioland filed a counterclaim on 30 November 2020, requesting Nantong No. 4 Construction to compensate for the loss of RMB1,408,072.96 and interest on overdue payments caused by the quality problems of biogas sac foundation project. As at 31 December 2022, this litigation is still in process. The Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated for the time being.
- (d) On 18 August 2015, China Wuzhou Engineering Group Corporation Ltd. (“Wuzhou Institute”) and Dezhou Bioland entered into the Construction Contract for Project on Resource Utilization and Harmless Disposal of Kitchen Wastes and Project on Leachate Disposal of Household Wastes in Dezhou City, under which Dezhou Bioland, as the employer, contracted the project on resource utilization and harmless disposal of kitchen wastes and project on leachate disposal of household wastes to Wuzhou Institute, and then Wuzhou Institute subcontracted the project to Sichuan Zhiyi Group Co., Ltd. Qiang Huaijun and Wu Ting, as the actual constructors of the project, undertook all of the engineering work of the project. Sichuan Zhiyi paid part of the project funds to Qiang Huaijun and Wu Ting, with the rest unpaid. On 22 November 2021, Qiang Huaijun filed a lawsuit to request Sichuan Zhiyi to pay the project funds of RMB10,408,616.00 and interest, and to request Wuzhou Institute and Dezhou Bioland to assume the payment responsibility within the scope of project funds owed by Sichuan Zhiyi. Dezhou Bioland received the judgment of the first instance on 2 September 2022 which stated that: (1) Sichuan Zhiyi shall pay Qiang Huaijun and Wu Ting the project fund of RMB1,060,331.88 and corresponding interest; (2) reject other claims of Qiang Huaijun and Wu Ting; and (3) reject the counterclaims of Sichuan Zhiyi. On 25 October 2022, Qiang Huaijun appealed to the court, requesting a revision of the sentence. As at 31 December 2022, the case is in the second-instance stage, and the Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.
- (e) In October 2020, Nanjing Wind Power and Shandong CRRC Wind Power Co., Ltd. (“CRRC Shandong”) entered into the “Purchase Contract for Engine Room Part, Hub Part and Auxiliary Equipment of Wind Turbine for 132MW Wind Power Project”. In December 2021, Nanjing Wind Power filed an arbitration request to Jinan Arbitration Commission in Shandong Province for CRRC Shandong’s breach of payment obligations agreed in the contract, claiming that CRRC Shandong should pay about RMB97.2 million for equipment and RMB3.88 million for liquidated damages. CRRC Shandong believes that Nanjing Wind Power violated the contract in the process of performing its contractual obligations, which constitutes a breach of contract. In January 2022, CRRC Shandong filed an arbitration application to Jinan Arbitration Commission in Shandong Province, and countersued the arbitration commission for Nanjing Wind Power to pay liquidated damages of about RMB30 million. As at 31 December 2022, the case is still in the arbitration stage, and the Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated for the time being.

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(RMB)

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (Continued)

(1) Significant contingencies at the balance sheet date (Continued)

- (f) On 4 March 2020, Xinqing Environmental Technology (Lianyungang) Co., Ltd. (“Xinqing Company”) entered into two blade procurement contracts with Nanjing Wind Power with a total amount of RMB641 million. After the contract was concluded, Nanjing Wind Power placed three purchase orders to Xinqing Company, products have been produced for two of them at a price of RMB54.1 million, and Nanjing Wind Power made an advance payment of RMB48.94 million. In June 2022, Xinqing Company filed a lawsuit to the court for reason that Nanjing Wind Power refused to pick up the goods and did not pay the remaining payment, which constituted a breach of contract, and requested that: (1) the two blade procurement contracts involved in the case shall be terminated; and (2) Nanjing Wind Power shall pay the remaining payment for goods of RMB5.16 million, the demurrage fee of RMB17.719495 million, and the loss arising from the breach of contract of RMB127.863721 million to Xinqing Company and shall bear the litigation costs as well. Nanjing Wind Power then filed a counterclaim requesting that (1) the two contracts involved in the case and the two purchase orders that have not been completed under the contract shall be rescinded; (2) Xinqing Company shall return the payment for goods of RMB48.94 million, bear the liquidated damages for late delivery of RMB1.4113 million, the increased cost for separate purchase of RMB735,000, the loss for late delivery of RMB703,000, and the inspection cost for stock blades of RMB637,630; (3) Xinqing Company shall return 3 sets of blade moulds; (4) Xinqing Company shall issue the warranty letter for LZ64.2 blades which have been picked up; and (5) Xinqing Company shall bear all litigation costs for the case. As at 31 December 2022, the case is in the first-instance stage, and the Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.

In addition to the above matters, as at 31 December 2022, the total amount of the subject matter of the pending litigation and arbitration cases in which the Group is the defendant is RMB213,000,000.00. After consulting the relevant attorney, the Company’s Board of Directors believes that the outcome of the aforesaid litigation and arbitration and the compensation obligations, if any, cannot be reliably estimated.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. On 6 January 2023, Guilin Bioland, a subsidiary of Bioland Company, entered into a Fixed Assets Loan Contract with China Construction Bank Corporation Guilin Branch (“China Construction Bank”), under which China Construction Bank agreed to provide a loan of RMB40 million to Guilin Bioland, as approved and authorized at the general meeting of shareholders, Bioland Company undertakes joint and several liability for the principal and interest of the borrowing hereunder.
2. On 21 February 2023, as approved and authorized at the general meeting of shareholders, the Company issued the first tranche of 2023 ultra-short term financing bonds, at an issuance scale of RMB1 billion and a term of 180 days. The related bonds were listed on 22 February 2023. The code of the bonds is “012380628” while the short name of the bonds is “23 Shenzhen Expressway SCP001”. The Company plans to use the raised funds to repay its debt financing instruments at maturity.
3. On 13 March 2023, as approved and authorized at the general meeting of shareholders, the Company issued the second tranche of 2023 ultra-short term financing bonds, at an issuance scale of RMB1 billion and a term of 180 days. The related bonds were listed on 14 March 2023. The code of the bonds is “012380959” while the short name of the bonds is “23 Shenzhen Expressway SCP002”. The Company plans to use the raised funds to repay its debt financing instruments at maturity.
4. On 24 March 2023, according to the approval of the 30th meeting of the 9th board of directors of the Company, cash dividends of RMB0.462 per share (including tax) will be distributed based on the total Equity of the Company on 31 December 2022, with a total dividend of RMB1,007,515,890.61 distributed.

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(RMB)

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Basis for recognition and accounting policies of reporting segments

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into two operating segments. The Group's management regularly evaluates the operating results of these segments to determine the allocation of resources and evaluation its performance. On the basis of operating segments, the Group has identified two reporting segments, namely the toll road segment and the environmental protection segment. These reporting segments are determined on the basis of their main business. The main products and services provided by each reporting segment of the Group are: toll road segment, which takes charge of operation and management of toll roads in Mainland China; environmental protection segment, which refers to the operation and management of environmentally related infrastructure, mainly includes solid waste treatment, clean energy and other related fields; other businesses principally comprise the provision of construction management services, advertising services, property development, finance leases, construction services under franchise arrangement and other services. These businesses cannot be separated into reportable segments.

The segment report information is disclosed in accordance with the accounting policies and measurement standards adopted when each segment reports to the management. These measurement bases are consistent with the accounting and measurement bases used when preparing financial statements.

(2) Financial information of reporting segment

Year 2022

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,978,341,345.68	1,757,219,821.16	2,637,021,379.75	–	9,372,582,546.59
Cost of services	2,800,083,416.38	1,288,946,396.95	2,264,566,448.63	–	6,353,596,261.96
Interest income	48,759,052.51	12,562,454.01	2,101,251.88	66,265,304.20	129,688,062.60
Interest expenses	138,413,185.35	228,490,766.59	817,767,294.87	–	1,184,671,246.81
Income from investment in associates and joint ventures	144,534,653.97	249,495,120.52	188,658,007.76	–	582,687,782.25
Credit impairment gains (losses)	–	(68,783,264.62)	(14,440,403.68)	–	(83,223,668.30)
Gains (losses) on impairment of assets	–	(164,102,829.78)	(13,650.98)	–	(164,116,480.76)
Gains (losses) on disposal of assets	(520,096.83)	205,603.98	4,958,051.50	2,653,855.62	7,297,414.27
Depreciation and amortization	1,701,784,016.79	423,100,333.10	84,507,650.86	67,267,580.83	2,276,659,581.58
Total profit	2,145,165,291.58	198,643,536.47	(215,537,317.66)	356,253,536.73	2,484,525,047.12
Income tax expenses	466,307,870.05	(17,181,710.43)	82,543,395.43	–	531,669,555.05
Net profit	1,678,857,421.53	215,825,246.90	(298,080,713.09)	356,253,536.73	1,952,855,492.07
Total assets	40,930,355,743.52	19,191,710,315.02	7,347,095,594.73	1,732,306,610.49	69,201,468,263.76
Total liabilities	29,211,110,536.71	8,467,930,251.66	2,547,002,404.73	1,614,517,120.88	41,840,560,313.98
Long-term equity investments in associates and joint ventures	10,629,817,482.11	5,179,583,434.93	1,939,669,031.33	–	17,749,069,948.37
Amount of non-current assets (exclusive of financial assets, long-term equity investments, and deferred tax assets)	17,093,909,109.68	13,250,293,756.77	6,804,590,860.53	1,667,644,298.41	38,816,438,025.39

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**1. Segment information (Continued)****(2) Financial information of reporting segment (Continued)**

Year 2021 (Restated)

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	5,892,735,954.13	1,811,154,438.40	3,185,690,225.35	–	10,889,580,617.88
Cost of services	3,001,628,000.00	1,349,925,516.49	2,753,673,590.95	–	7,105,227,107.44
Interest income	33,440,836.27	7,736,258.52	14,352,316.23	120,315,762.68	175,845,173.70
Interest expenses	199,070,230.18	239,122,102.30	698,355,300.32	–	1,136,547,632.80
Income from investment in associates and joint ventures	554,729,409.76	292,350,082.10	205,662,580.33	–	1,052,742,072.19
Credit impairment gains (losses)	–	(50,611,989.50)	(1,514,990.14)	–	(52,126,979.64)
Gains (losses) on impairment of assets	–	(99,102,245.97)	(18,058,914.14)	–	(117,161,160.11)
Gains (Losses) on disposal of assets	17,652,075.31	(49,550.71)	(230,772.77)	19,607.07	17,391,358.90
Depreciation and amortization	1,918,413,013.59	307,094,677.74	41,236,777.79	24,666,596.90	2,291,411,066.02
Total profit	2,824,406,477.97	305,640,668.42	(200,010,281.61)	427,066,777.15	3,357,103,641.93
Income tax expenses	578,502,751.80	39,232,641.28	(66,586,358.93)	–	551,149,034.15
Net profit	2,245,903,726.17	266,408,027.14	(133,423,922.68)	427,066,777.15	2,805,954,607.78
Total assets	42,412,468,012.13	18,566,437,452.76	10,240,633,060.00	1,085,396,641.70	72,304,935,166.59
Total liabilities	19,139,828,146.90	8,538,364,522.64	10,336,113,859.47	2,758,054,739.88	40,772,361,268.89
Long-term equity investments in associates and joint ventures	11,235,682,293.09	5,071,019,214.43	2,801,711,733.77	–	19,108,413,241.29
Amount of non-current assets (exclusive of financial assets, long-term equity investments, and deferred tax assets)	24,361,249,122.64	7,947,321,174.48	7,274,951,773.73	24,362,234.68	39,607,884,305.53

(3) Other information

The Group's revenue from external customers and the non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases

(1) As a lessor

Finance lease

The Group as a lessor entered into finance lease contracts with customers, with lease term ranging from 2 to 13 years. Finance lease contract does not contain renewal or termination option.

Undiscounted lease receipts:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Within 1 year (inclusive)	210,134,524.53	94,107,086.71
1 – 2 years (inclusive)	209,669,521.66	92,976,071.38
2 – 3 years (inclusive)	220,010,485.03	103,208,958.78
3 – 4 years (inclusive)	177,053,664.01	56,826,341.97
4 – 5 years (inclusive)	155,165,919.92	51,628,988.49
Over 5 years	671,719,088.05	161,393,598.14
Total of subsequent years	1,643,753,203.20	560,141,045.47
Unguaranteed residual value	–	–
Total lease investment	1,643,753,203.20	560,141,045.47
Less: Unrealized financing income	458,662,218.40	171,261,514.29
Net lease investment	1,185,090,984.80	388,879,531.18
Including: Finance lease receivables due within 1 year	145,910,867.47	60,790,008.82
Finance lease receivables due after 1 year	1,039,180,117.33	328,089,522.36

Gains relating to finance lease are as follows:

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Financing gains from net lease investment	94,278,147.14	65,851,635.35

Operating leases

The Group leases out some parking spaces, workshops, staff dormitory buildings and other houses and buildings for an indefinite lease term, forming an operating lease. During the year 2022, the Group's income from the leases of parking spaces, houses and buildings was RMB12,797,922.53. The parking spaces, houses and buildings leased out are presented under investment properties. Refer to Note V, 15.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**2. Leases (Continued)****(1) As a lessor (Continued)***Operating leases (Continued)*

The Group also leases highway billboards and service areas, with lease term ranging from 1 to 8 years, which forms operating leases.

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Lease income	27,964,856.09	44,754,433.59

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

RMB

Item	31 December 2022	31 December 2021 (Restated)
Within 1 year (inclusive)	16,048,766.55	13,956,464.23
1 to 2 years (inclusive)	10,324,912.24	6,608,498.92
2 to 3 years (inclusive)	6,241,286.58	5,915,210.63
3 to 4 years (inclusive)	4,048,363.77	3,233,017.42
4 to 5 years (inclusive)	3,694,488.59	3,160,400.00
Over 5 years	19,533,564.88	24,884,266.67
Total	59,891,382.61	57,757,857.87

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases (Continued)

(2) As a lessee

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Interest expenses on lease liabilities (Note V, 52)	26,214,597.79	29,285,937.61
Expenses relating to short-term leases accounted for applying simplified treatment	22,248,990.29	42,720,833.50
Expenses relating to leases of low-value assets accounted for applying simplified treatment (other than short-term leases)	1,769,955.68	14,159.29
Income from sublease of right-of-use assets	4,158,148.00	9,831,410.50
Total cash outflow for leases	369,707,157.19	62,649,333.44

The Group has lease contracts for various items of houses and buildings, vehicles, machinery and other equipment used in the operating process. Leases of houses and buildings, vehicles and machinery generally have lease terms of 1 to 9 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. A few lease contracts contain options for renewal and termination.

Sale and leaseback transaction

In order to meet the capital requirements, the Group will use the sale and leaseback form of financing for the Bioland Environment kitchen waste disposal project's equipment for a lease term of 1 to 8 years.

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021 (Restated)
Cash outflow of sale and leaseback transaction	248,693,824.31	1,512,156,474.31
Gains or losses arising from sale and leaseback transactions (Note V, 37)	30,084,815.20	38,282,785.62

Other lease information

For right-of-use assets, refer to Note V, 18; for simplified treatment of short-term leases and leases of low-value assets, refer to Note III, 30; for lease liabilities, refer to Note V, 36.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**3. Others**

In view of the fact that Nanjing Wind Power, a subsidiary of the Company, is in an accumulated loss position and the unrestricted cash at banks and on hand it holds are insufficient to repay its current liabilities due within the next year, the Company, as the controlling shareholder of Nanjing Wind Power, undertakes to use its best endeavours to provide support to Nanjing Wind Power within 12 months after the date of approval for issue of the financial statements so as to maintain Nanjing Wind Power's ability to continue as a going concern. Within 12 months after the date of approval for issue of the financial statements, Nanjing Wind Power has no plans for bankruptcy reorganization, liquidation or cessation of operations, etc.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS**1. Accounts receivable****(1) Accounts receivable disclosed by aging**

RMB

Aging	31 December 2022		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	21,452,987.56	–	–
1 to 2 years	2,892,760.09	–	–
2 to 3 years	–	–	–
Over 3 years	4,838,866.44	–	–
Total	29,184,614.09	–	–

(2) Accounts receivable disclosed by bad debt provision method

RMB

Category	31 December 2022					31 December 2021				
	Gross carrying amount		Bad debt provision		Carrying amount	Gross carrying amount		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Credit loss allowance assessed on portfolio basis according to credit risk characteristics										
Portfolio I	7,754,176.53	26.57	–	–	7,754,176.53	4,838,866.44	17.08	–	–	4,838,866.44
Portfolio IV	21,430,437.56	73.43	–	–	21,430,437.56	23,484,715.94	82.92	–	–	23,484,715.94
Total	29,184,614.09	100.00	–	–	29,184,614.09	28,323,582.38	100.00	–	–	28,323,582.38

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(3) Top five accounts receivable categorized by debtor:

RMB

Name of entity	31 December 2022	Proportion to the total accounts receivable (%)	Bad debt provision 31 December 2022
Total of top five accounts receivable as at 31 December 2022	28,307,482.02	96.99%	–

2. Other receivables

2.1 Summary of other receivables

RMB

Item	31 December 2022	31 December 2021
Dividends receivable	450,000,000.00	963,388,331.68
Other receivables	2,055,378,219.49	1,266,427,794.67
Total	2,505,378,219.49	2,229,816,126.35

2.2 Dividends receivable

RMB

Item	31 December 2022	31 December 2021
Mei Wah Company	450,000,000.00	450,000,000.00
Yichang Company	–	207,512,910.66
Outer Ring Company	–	305,875,421.02
Total	450,000,000.00	963,388,331.68

2.3 Other receivables

(1) Disclosure by aging

RMB

Aging	31 December 2022		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	910,245,179.59	–	–
1 to 2 years	698,320,022.95	–	–
2 to 3 years	441,438,484.92	–	–
Over 3 years	5,374,532.03	–	–
Total	2,055,378,219.49	–	–

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**2. Other receivables (Continued)****2.3 Other receivables (Continued)**(2) *Other receivables analyzed by nature are as follows*

RMB

Nature	31 December 2022	31 December 2021
Borrowings receivable	1,216,913,631.11	758,691,984.21
Advances receivable	835,851,338.76	494,754,499.97
Receivables due to cancellation of toll stations in Yanpai Expressway and Yanba Expressway	–	9,209,048.19
Others	2,613,249.62	3,772,262.30
Total	2,055,378,219.49	1,266,427,794.67

(3) *Top five other receivables categorized by debtor*

RMB

Category	Nature	31 December 2022	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables at 31 December 2022	Borrowings receivable	1,931,820,314.12	1 – 3 years	93.99	–

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

RMB

Investee	1 January 2022	31 December 2022	Closing balance of provision for impairment	Changes for the year						Provision for impairment	Others
				Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividend or profit declared		
Associates and joint ventures:											
Nanjing Third Bridge Company	298,691,867.76	158,839,698.12	-	35,936,866.38	-	-	(44,430,317.62)	-	-	449,038,114.64	-
Yangmao Company	807,388,513.77	-	-	27,017,243.50	-	-	(3,278,445.87)	-	-	831,127,311.40	-
GZ W2 Company	326,012,414.64	-	-	46,476,396.39	-	-	(50,660,800.00)	-	-	321,828,011.03	-
United Land Company	1,213,223,134.59	-	(210,700,000.00)	26,422,392.14	-	-	(84,353,284.12)	-	(921,200,000.00)	23,392,242.61	-
Shengchuang Fund	124,919,605.79	-	-	(6,537,537.66)	-	-	-	-	-	118,382,068.13	-
Others	1,365,317,623.02	-	-	131,509,946.36	(13,753,200.00)	-	(25,560,000.00)	-	2,738,738.66	1,460,253,108.04	-
Sub-total	4,135,553,159.57	158,839,698.12	(210,700,000.00)	260,825,307.11	(13,753,200.00)	-	(208,282,847.61)	-	(918,461,261.34)	3,204,020,855.85	-
Investment in subsidiaries:											
Meiguan Company	521,260,142.34	-	-	-	-	-	-	-	-	521,260,142.34	-
Qinglong Company	101,477,197.16	-	-	-	-	-	-	-	-	101,477,197.16	-
Advertising Company	3,325,000.01	-	-	-	-	-	-	-	-	3,325,000.01	-
Mei Wah Company	831,769,303.26	-	-	-	-	-	-	-	-	831,769,303.26	-
Qinglian Company	1,385,448,900.00	-	-	-	-	-	-	-	-	1,385,448,900.00	678,765,149.21
Outer Ring Company	6,500,000,000.00	650,000,000.00	-	-	-	-	-	-	-	7,150,000,000.00	-
Investment Company	400,000,000.00	-	-	-	-	-	-	-	-	400,000,000.00	-
Environment Company	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00	-
Operation Development Company	30,000,000.00	-	-	-	-	-	-	-	-	30,000,000.00	-
Shenchang Company	33,280,762.94	-	-	-	-	-	-	-	-	33,280,762.94	-
Yichang Company	1,270,000,000.00	-	-	-	-	-	-	-	-	1,270,000,000.00	-
Construction Development Company	30,000,000.00	-	-	-	-	-	-	-	-	30,000,000.00	-
Infrastructure Environment Protection Development Company	204,600,000.00	50,400,000.00	-	-	-	-	-	-	-	255,000,000.00	-
Coastal Company (Note 1)	5,587,939,407.88	-	(3,800,000,000.00)	-	-	-	-	-	-	1,787,939,407.88	-
Fund Company	10,000,000.00	-	-	-	-	-	-	-	-	10,000,000.00	-
Baotou Nanfeng	1,280,900.27	-	-	-	-	-	-	-	-	1,280,900.27	-
Financial Leasing Company	678,193,419.87	-	-	-	-	-	-	-	-	678,193,419.87	-
New Energy Company	2,161,250,000.00	-	-	-	-	-	-	-	-	2,161,250,000.00	-
Guangming Environmental Technology	200,000,000.00	-	-	-	-	-	-	-	-	200,000,000.00	-
Longda Company	103,816,567.61	-	-	-	-	-	-	-	-	103,816,567.61	-
Shenzhen Expressway Business	-	4,000,000.00	-	-	-	-	-	-	-	4,000,000.00	-
Expressway Digital Technology	-	2,550,000.00	-	-	-	-	-	-	-	2,550,000.00	-
Sub-total	25,053,641,601.34	706,950,000.00	(3,800,000,000.00)	-	-	-	(208,282,847.61)	-	(918,461,261.34)	21,960,591,601.34	678,765,149.21
Total	29,189,194,760.91	865,789,698.12	(4,010,700,000.00)	260,825,307.11	(13,753,200.00)	-	(208,282,847.61)	-	(918,461,261.34)	25,164,612,457.19	678,765,149.21

Note 1: In September 2022, the Company reduced the capital of Coastal Company, a wholly-owned subsidiary of the Company, by RMB3800 million. In November 2022, Shenzhen Bay Infrastructure, a non-wholly-owned subsidiary of the Company, completed a capital increase of RMB2.998 billion to Coastal Company, after which the Company's direct shareholding ratio in Coastal Company decreased to 49.00% and Shenzhen Bay Infrastructure's shareholding ratio in Coastal Company increased to 51.00%, changing Coastal Company from a wholly-owned subsidiary to a non-wholly-owned subsidiary of the Company.

Note 2: The detailed information about investment in associates and joint ventures is set out in Note V, 13.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**4. Operating income and costs**

RMB

Item	For the year ended 31 December 2022		For the year ended 31 December 2021	
	Revenue	Cost	Revenue	Cost
Main businesses	1,101,215,623.65	414,745,120.53	1,118,707,113.70	379,981,872.14
Other businesses	543,221,896.00	535,957,438.55	690,971,512.75	678,879,957.58
Total	1,644,437,519.65	950,702,559.08	1,809,678,626.45	1,058,861,829.72

5. Investment income

RMB

Item	For the year ended 31 December 2022	For the year ended 31 December 2021
Income from long-term equity investments under the equity method	260,825,307.11	344,152,615.68
Income from long-term equity investments under the cost method	344,511,398.10	1,187,374,489.42
Investment income from other non-current financial assets	18,122,334.03	5,436,000.00
Foreign exchange swap close-out proceeds	–	(125,940,000.00)
Investment income from disposal of equity	921,200,000.00	25,337,086.29
Total	1,544,659,039.24	1,436,360,191.39

Note: Sections marked with * in the notes to the financial statements are additions or detailed disclosures made in accordance with the Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong.

Notes to Financial Statements

For the year ended 31 December 2022
(RMB)

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current year

RMB

Item	Amount
Profits and losses on disposal of non-current assets	928,497,414.27
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	28,720,706.16
Income earned from lending funds to non-financial institutions and recognized in profit or loss	17,153,619.00
Net profit or loss of subsidiaries from the beginning of the year up to the business combination date recognized as a result of business combination of enterprises under common control	(4,489,534.28)
Profits or losses on changes in the fair value of transactional financial assets, derivative financial assets, transactional financial liabilities, derivative financial liabilities, and other non-current financial assets, as well as the investment income from the disposal of the above financial assets/liabilities, other than those used in the effective hedging activities relating to normal operating business	95,175,495.33
Other non-operating income or expenses other than the above	(5,108,951.16)
Sub-total	1,059,948,749.32
Tax effects	(266,405,454.54)
Effects attributable to minority interests	(5,277,663.07)
Total	788,265,631.71

Basis for preparation of the breakdown of non-recurring profit or loss:

Under the requirements in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profit or Loss [2008] from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements when making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

The table of calculation of return on net assets and earnings per share has been prepared by Shenzhen Expressway Corporation Limited in accordance with the relevant provisions of the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revised in 2010) issued by the China Securities Regulatory Commission.

RMB

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	9.93	0.838	0.838
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	5.65	0.477	0.477

Company Information

I. Company Profile

Registered name	深圳高速公路集团股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Corporation Limited
English abbreviation	SZEW
Legal representative	Hu Wei

II. Contact Information

	Secretary of the Board	Joint company secretary	Securities officer
Name	ZHAO Gui Ping	ZHAO Gui Ping, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	46/F, Hanking Center, 9968 Shennan Avenue, Nanshan District, Shenzhen		
Telephone	(86) 755-8669 8069; (86) 755-8669 8065		
Fax	(86) 755-8669 8002		
E-mail	ir@sz-expressway.com		

Company Information

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code:518110)
Place of business	46/F, Hanking Center, No. 9968 Shennan Avenue, Nanshan District, Shenzhen (Postal Code:518057)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com
Annual report available at	PRC: 46/F Hanking Center Tower, No. 9968 Shennan Avenue, Nanshan District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Shanghai Stock Exchange	20 Shenzhen Expressway 01	163300
Bond	The Shanghai Stock Exchange	G20 Shenzhen Expressway 1	175271
Bond	The Shanghai Stock Exchange	G21 Shenzhen Expressway 1	175979
Bond	The Stock Exchange of Hong Kong Limited	SZEXP B2607	40752
Bond	The Shanghai Stock Exchange	21 Shenzhen Expressway 01	188451
Bond	The Shanghai Stock Exchange	22 Shenzhen Expressway 01	185300

VI. Other Information

Auditor	Deloitte& Hua Yong LLP 30/F Bund Center, No.222 Yan An Road East, Huang Pu District,Shanghai Signatory accountants: HUANG Yue, LIU Chan
PRC legal adviser	Guangdong Junyan Law Firm 29/F, Block 5,Dachong International Center, Shennan Avenue, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 188 South Yanggao Road, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 17M/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801-3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 9/F, The Center, 99 Queen's Road Central, Central, Hong Kong
Principal banks	China Development Bank, Industrial and Commercial Bank of China, Bank of China, China Merchants Bank, etc.

Company Information

VII. Project Information (as at 31 December 2022)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation
Jihe East	100%	Shenzhen	23.7	6	Under operation
Jihe West	100%	Shenzhen	21.8	6	Under operation
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation
Coastal Project	100%	Shenzhen	36.6	8	Coastal Phase I: under operation Coastal Phase II: under construction
Outer Ring Project	100%	Shenzhen	60	6	Under operation
Longda Expressway ⁽²⁾	89.93%	Shenzhen	4.426	6	Under operation
Yangmao Expressway	25%	Guangdong	79.8	8	Under operation
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation
Yichang Project	100%	Hunan	78.3	4	Under operation
Changsha Ring Road	51%	Hunan	34.7	4	Under operation
Nanjing Third Bridge ⁽³⁾	35%	Jiangsu	15.6	6	Under operation
GZ West Expressway	50%	Guangzhou, Foshan, Zhongshan	98	6	Under operation
GS Expressway	45%	Shenzhen, Dongguan, Guangzhou	122.8	6	Under operation

Note:

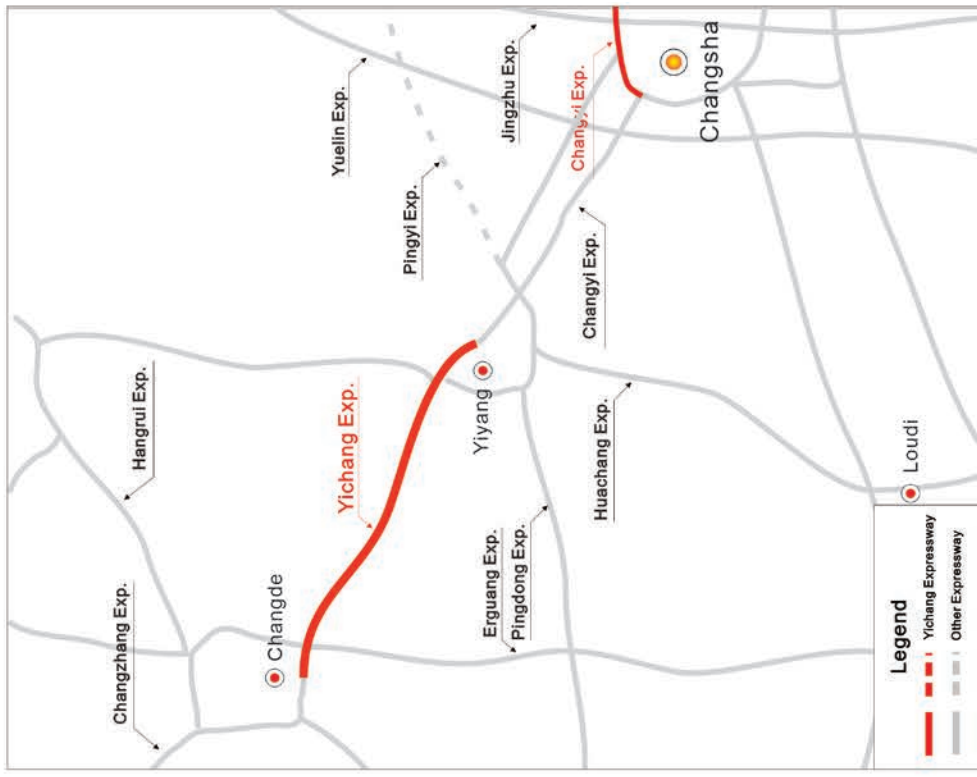
- (1) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column "Toll Roads" under "Corporation Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at <http://www.sz-expressway.com>.
- (2) The concession period of Wuhuang Expressway which is 100% invested by Magerk Company, a wholly-owned subsidiary of the Company, was expired and terminated at 24:00 on 10 December 2022. For details, please refer to the announcement dated 9 December 2022.
- (3) As approved by the executive members of the Board, the Company acquired a 10% equity interest in Nanjing Third Bridge for approximately RMB175 million (the actual consideration was RMB158.9 million net of the transitional dividend) and the relevant change of business registration was completed on 27 September 2022, increasing the Company's equity interest in Nanjing Third Bridge from 25% to 35%.

Company Information

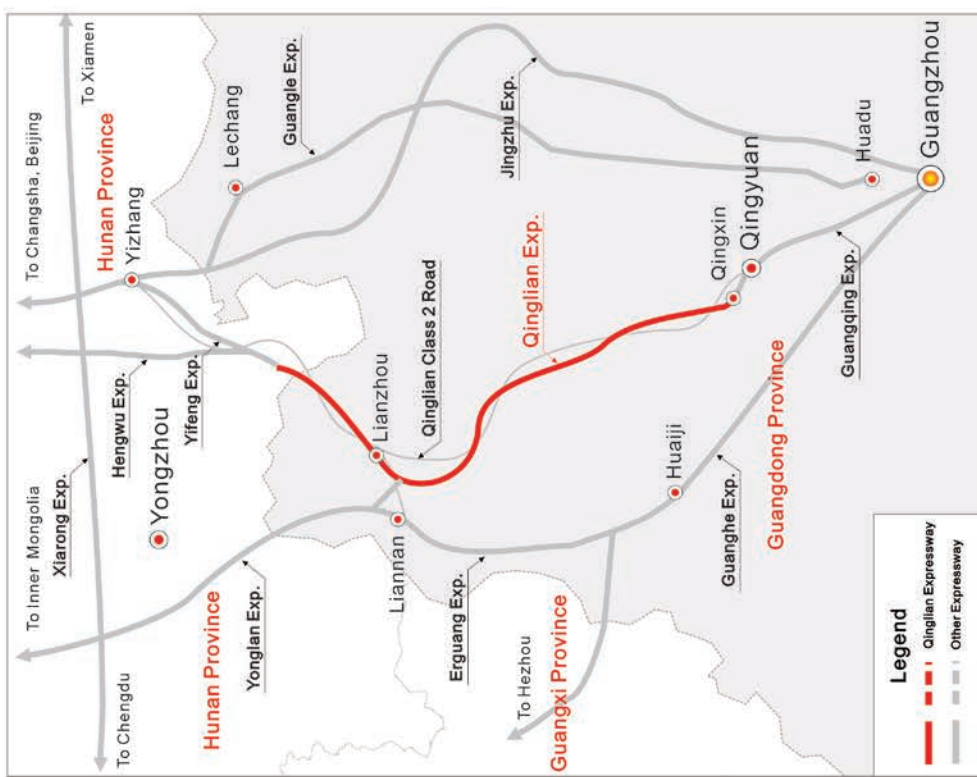
Road Network of Pearl River Delta



Road Network of Yichang Expressway



Road Network of Qinglian Expressway

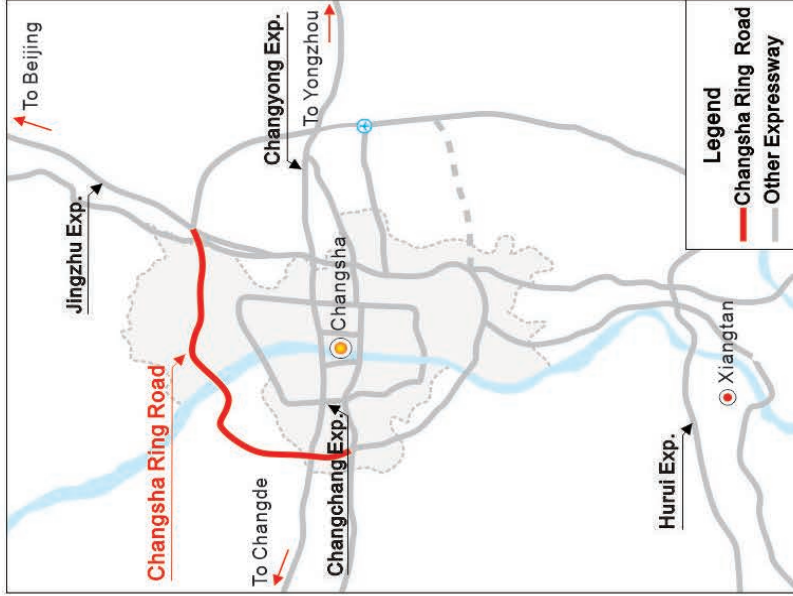


- Unless otherwise stated, the amounts stated in this report are in RMB.
- The total of breakdown and the total may not equal in mantissa due to rounding.

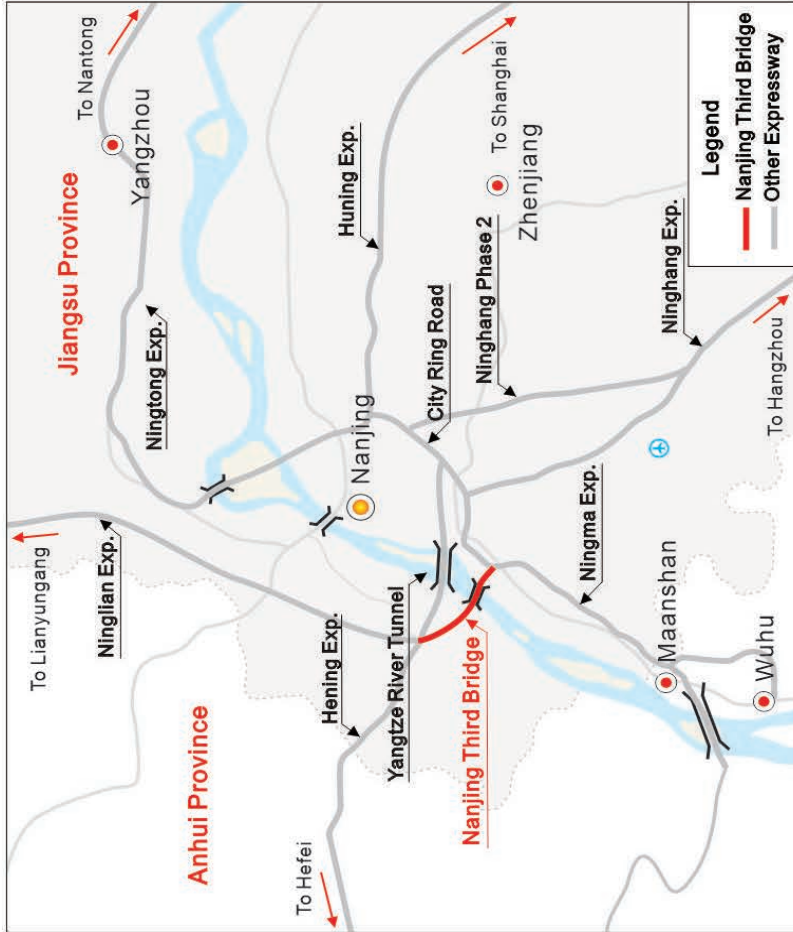


Company Information

Road Network of Changsha Ring Road



Road Network of Nanjing Third Bridge



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SHENZHEN EXPRESSWAY CORPORATION LIMITED

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